

# INTEGRATED REPORT 2016 – 2017

FROM ONE HEART TO ANOTHER



**WP Blood Transfusion Service**  
Do something remarkable


# CONTENTS

1   <a href="#">ABOUT OUR REPORT</a>	4
2   <a href="#">OUR ORGANISATION</a>	5
3   <a href="#">MESSAGES FROM LEADERSHIP</a>	11
4   <a href="#">BUSINESS MODEL</a>	17
5   <a href="#">STAKEHOLDER LANDSCAPE</a>	18
6   <a href="#">RISKS AND OPPORTUNITIES</a>	29
7   <a href="#">PERFORMANCE REVIEW</a>	32
8   <a href="#">GOVERNANCE</a>	39
9   <a href="#">FINANCIAL STATEMENTS</a>	49
10   <a href="#">ABBREVIATIONS AND ACRONYMS</a>	79





## GET IN TOUCH


 **Telephone**  
021 507 6300


 **E-mail**  
info@wpbts.org.za


 **Website**  
www.wpblood.org.za

 **SMS**  
SMS the word 'Blood' to 33507

 **Facebook**  
Like us on WP Blood

 **Twitter**  
Follow us @WPBlood

 **Instagram**  
Follow us @WP\_Blood

 **WP Blood App**  
Download our app

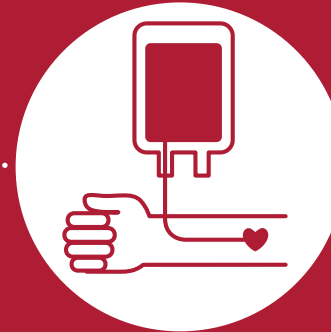
# FROM ONE HEART TO ANOTHER



Blood is collected from volunteer donors.



Blood is transfused to the recipient. Just one donation can save three lives.



Units are transported to the nearest WPBTS offices for testing and processing.



**WP Blood Transfusion Service**  
Do something remarkable



Blood and blood products are sent to blood banks and emergency blood fridges.



Blood is spun down and separated into its different components.



Every unit is blood grouped and tested for HIV, hepatitis B & C and syphilis.

# ABOUT OUR REPORT

This 2017 integrated report of the Western Province Blood Transfusion Service (WPBTS) covers the year 1 April 2016 to 31 March 2017. This is the Service's first integrated report and the report was prepared using the International Integrated Reporting <IR> Framework as a guideline.

The report focuses on providing WPBTS members and key stakeholders with a holistic view of the Service's operations, performance, risks and opportunities.

Ernst and Young (EY) conducted an independent audit of the Service's annual financial statements, which are included in detail in this report.

The Board of Directors has strived to ensure that all material matters are presented and that the report fairly represents the performance and practices of WPBTS for the 2016/17 financial year.

**PAUL SLACK**  
Chairman  
1 September 2017

**GREG BELLAIRS**  
Chief Executive Officer/  
Medical Director  
1 September 2017





# OUR ORGANISATION

The Western Province Blood Transfusion Service (WPBTS) is an independent, non-profit, provincial healthcare organisation, which collects blood from blood donors, and subsequently supplies safe blood products to all people in the Western Cape. The Service has regional branches in Paarl, Worcester and George, six permanent blood donor clinics, 1 143 mobile donor clinics, a specialised donation services unit, apheresis collections department, 101 emergency blood banks at 92 hospitals, and seven blood banks.

WPBTS must collect approximately 700 units of whole blood from voluntary blood donors every day to meet the demand for blood products in the Western Cape. Our blood donors and blood recipients are our first priority. We follow strict standards and use appropriate technologies and research to ensure safe procedures from the vein of the donor to that of the recipient.

The Service is also guided by international best practices: Council of Europe Recommendations, American Association of Blood Banks Guidelines, and World Health Organisation Guidelines. The Service is accredited by the South African National Accreditation System (SANAS).

## MISSION

Western Province Blood Transfusion Service is a community based regional health care organisation formed by an association of voluntary blood donors, dedicated to providing the safest blood products and efficient service to the community, while operating at the highest professional and ethical standards and remaining a viable organisation.

## VISION

To maintain a Blood Transfusion Service that is appropriate to the needs of the South African community; to be prepared for wider Regional and National needs and to provide leadership in Transfusion Practice.







VALUES

we  
**are**  
caring  
professional  
responsible  
committed  
teamwork

# SENIOR LEADERSHIP

## BOARD OF DIRECTORS

---

**Paul Slack** (Chairman)  
**Greg Bellairs** (Chief Executive Officer/Medical Director)  
**Nicky du Toit** (Corporate Services Director/Chief Financial Officer)  
**Arthur Bird**  
**Mervyn Burton**  
**Brian Figaji**  
**Andrea Huggett**  
**Vernon Louw**  
**Dumisani Ndebele**  
**Nazir Parker**  
**Roger Ramsbottom** (Vice Chairman)  
**PJ Veldhuizen**

## COMPANY SECRETARY

---

**Irene van Schalkwyk**

## REGISTERED OFFICE

---

Southern House, Old Mill Road, Pinelands, 7405  
P.O. Box 79, Howard Place, 7450

## MANAGERS

---

**Michelle Breuninger** (Professional Development and Training)  
**Rishaad Buckroodeen** (Information Technology)  
**Lesley Bust/Glynis Bowie** (Quality Assurance)  
**Ashleigh Button** (Human Resources)  
**Ronald Davids** (George Region)  
**Karen Dramat** (Blood Banks)  
**Vincent Erasmus** (Materials - Maintenance/Purchasing/Transport)  
**Helen Ferris** (Donor Collections)  
**Caroline Hilton** (Transfusion Medical Specialist)  
**Ebrahiema Jacobs** (Worcester Region)  
**Imtiaz Kaprey** (Finances)  
**Yasin Khan** (Scientific Division - Fractionation)  
**Bev Mitchell** (Technical Services)  
**Delizia Montgomery** (Paarl Region)  
**Debbie Smith** (Processing)  
**Irene van Schalkwyk** (Promotions/Public Relations and Planning)

## AUDITORS

---

**Ernst & Young**

## REGISTERED NUMBERS

---

Registration Number: 1943/016692/08  
NPO Registration Number: 031-336-NPO  
PBO Reference Number: 93000 4391

# FROM ONE HEART TO ANOTHER



Blood is collected from volunteer donors into a sterile blood bag using an automated mixer.





# BLOOD DONATION PROCESS

---



**1.**

Fill in the confidential donor questionnaire (personal details, health and lifestyle) completely and honestly.



**2.**

Your details are captured (on our computer system).



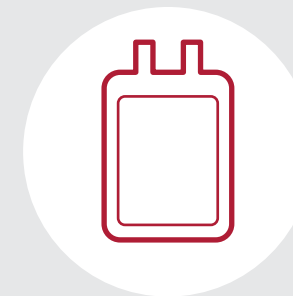
**3.**

Confidential interview  
- for new donors and when required.



**4.**

A finger prick test is done to check your haemoglobin level. We require a Hb level for women of 12.5 g/dl and 13.5g/dl for men.



**5.**

Collect your blood bag and proceed to the donation bed.



**6.**

Your blood pressure and pulse are checked.



**7.**

Donate your unit (approximately 475ml) of lifesaving blood. New, sterile equipment is used for every donation.



**8.**

Samples are taken for testing. We test your blood group, and for HIV, hepatitis B & C and syphilis with every donation.



**9.**

Enjoy some refreshments - you are remarkable and deserve it!

# MESSAGES FROM LEADERSHIP



Greg Bellairs  
CEO/Medical Director



Ms Nicky Du Toit  
CFO/Corporate Services Director

## DIRECTORS' REPORT 2016/17

WPBTS performed well in the 2016/17 financial year, despite challenging economic conditions. Through the remarkable efforts of blood donors and staff, sufficient safe blood was collected and subsequently issued to patients in healthcare facilities throughout the Province.





## We are CARING

70 140 blood donors donated blood during the year.



## We are PROFESSIONAL

The Service continued to deliver in-house training and fund external training for staff.



## We are RESPONSIBLE

The Service is accredited by SANAS.



## We are COMMITTED

171 739 units of whole blood and 3 526 single-donor platelet products were collected from blood donors throughout the Province.



## We are TEAMWORK

Staff numbers at the end of the year were 513.

## SUSTAINABILITY

### Blood product sales

The sales of red cell products comprise 55% of income. Red cell product sales decreased by 3%, from 143 781 in 2015/16 to 139 414 in 2016/17. We anticipate more muted growth in blood product sales, due partly to cost saving measures in both the private and state health care sectors, as well as due to patient blood management strategies which promote more restrictive transfusion thresholds.

### Financial

Income for the year was R 381 million, and expenses were R 378 million, resulting in a surplus of R 3 million (1%), which is a pleasing turnaround from the loss of R 17 million in 2015/16.

The Service continues to be challenged by expenses increasing in excess of CPI - particularly those linked to the Rand/Dollar exchange rate, such as blood collection bags and reagents for testing of blood, as well as many of the capital equipment items such as testing platforms and centrifuges.

## BLOOD RECIPIENT SAFETY

The use of individual nucleic acid testing continues to ensure that blood products remain safe despite a high prevalence of HIV and hepatitis B in the Province. Because of the window period - in early infection, when tests may be negative, but there remains a risk of transmission of infection - blood products are not risk-free, but the use of nucleic acid testing technologies has shortened the window period significantly.

A total of 176 adverse transfusion reactions were reported during the year. Most of these were of minor clinical significance and no fatalities due to blood transfusion were reported. Further detail is available on [page 36](#). It remains concerning that there were two misdirected transfusions due to patient, sample, or product identification errors made in healthcare institutions. The Service continues to minimise these risks through educational interventions and ongoing communications with clinicians and hospital management.



## BLOOD DONOR SAFETY

70 140 blood donors donated blood during the year. Of these, approximately 1.1% had adverse donor reactions, most of which were vasovagal episodes (commonly known as faints). Donor safety is managed by the self-completion of a health questionnaire to detect any medical condition which may preclude safe donation, pulse and blood pressure checks, and measurement of donor haemoglobin levels to ensure they exceed a predefined minimum level. A total of 36 380 donors were deferred from donating - mainly due to low haemoglobin levels. To minimise the risk of iron deficiency or anaemia, donors at risk are given oral iron therapy to replace the iron lost through donation - in total 7 269 patient-ready packs of iron tablets were issued to donors most at risk.

## SUFFICIENT BLOOD SUPPLY

152 447 units of whole blood and 3 812 adult single-donor platelet products were collected from blood donors throughout the Province. These were processed into various blood products which were issued to patients in 140 healthcare institutions in the Western Cape. The Service strives to maintain 5-day stocks of each blood type, in order to have a buffer stock available should usage exceed supply (e.g. in mass casualty situations) or should supply be temporarily compromised (e.g. during holiday periods). Adequate stocks of all blood types were maintained for the year, and during times of a relative excess, some products were supplied to SANBS to mitigate a critical shortage in KwaZulu-Natal.

Platelet stocks were included as a key performance indicator for 2016/17 which ensured that the Service was able to supply platelets throughout the Province at any given time.

## EFFICIENT OPERATIONS AND CONSOLIDATION

Staff numbers at the beginning of the year were 533, reducing to 513 at the end of the year (18 staff were retrenched following the closure of the Fractionation Plant).

Various approaches are being considered for measuring 'efficiency'. One of these is red cell products issued per staff member which was 251 for 2016/17 versus 252 in the previous year. Another measure of efficiency is the proportion salaries comprise of expenses - currently 46% (45% in the previous year).

The Service formally introduced Lean Methodologies at the beginning of 2017. A structured program has been followed and Lean is expected to improve efficiencies and reduce waste of resources, ultimately contributing positively to the bottom line.

## FRACTIONATION PLANT

The operations of the WPBTS have for many years included the manufacturing of plasma derived medicinal products under the regulation of the Medicines Control Council (MCC).

The pharmaceutical plant (also known as the Fractionation Plant, named after the manufacturing process used) had always placed a strong emphasis on meeting good manufacturing practice standards and over the years a number of costly refurbishments and upgrades were undertaken to meet MCC requirements.

In February 2016 the MCC conducted the first inspection in 14 years of the Fractionation Plant. Based on some of the findings of the inspection, a decision was made to

voluntarily cease manufacturing plasma derived medical products, despite a long track record of product safety. One of the important adverse findings was the layout of the facility (which is in an old building), which could not be changed without costly and lengthy building works, or a complete rebuild of the facility.

To correct the deficiencies would have required major capital expenditure and after careful consideration of the investment required against the long-term sustainability of the Plant, a decision was made by the Board to close the Fractionation Plant. As a result of the closure, 19 187 litres of excess plasma (which would have been processed into plasma derived medical products by WPBTS) was instead sold to National Bioproducts Institute (NBI) for processing, contributing R 15 million to income.

## PEOPLE DEVELOPMENT AND STAFF RETENTION

The Service continued to deliver in-house training and fund staff receiving external training. In addition, several staff attended conferences and educational opportunities offered by technical partners. A new offering was that of leadership development provided by way of the Supervisors Development Program.

Staff turnover for the year was 8.6% overall - including departures due to retirements. The Service remains stretched at times due to the challenge of filling certain posts, but strategies are in place to train, retain and attract talented staff in certain specialised areas.

## THANKS

We would like to thank all blood donors, staff, customers and suppliers for their support during the year.

# CHAIRMAN'S REPORT



Paul Slack  
*Chairman of the Board*

During the year under review the Board once again critically evaluated its role in providing strategic guidance to the Service and confirmed that it would continue to focus on the material aspects which could promote the continued sustainability and growth of the Service.







We understand that all WPBTS team members, including the Board, are merely custodians of the organisation and have been given the responsibility of operating sustainably, in order to hand over the business to future generations in a better state than it was when we received it from past generations. We believe that it is critical for our organisation to have a sustainability-oriented culture, and structures and processes for the governance of sustainability. Key indicators and material sustainability issues and risks are monitored on an ongoing basis.

Following a period of evaluation of methods by the Board, performance management was implemented and in July 2017, for the first time in the company's 79 year existence, annual salary increases was calculated and implemented on individual performance-based scores.

I would like to thank my fellow Board members - thank you for your support, devotion and maintaining open, transparent, honest and robust participation throughout the year. Your contributions are of great value.

On behalf of the Board I would like to thank our donors, partners, suppliers and the community for continued support, loyalty and friendship. WPBTS is well positioned for future growth but without these cornerstones in our business, success will not be possible.

I would also like to thank our employees on behalf of the Board of Directors for their loyalty and hard work during the year. Thank you to the management team for the bold manner in which they lead the team. May WPBTS be a Service which 'makes things happen' for the future and may each one of you strive towards gaining the knowledge required to realise your dreams for the present and the future.

**Paul Slack**

Chairman of the Board

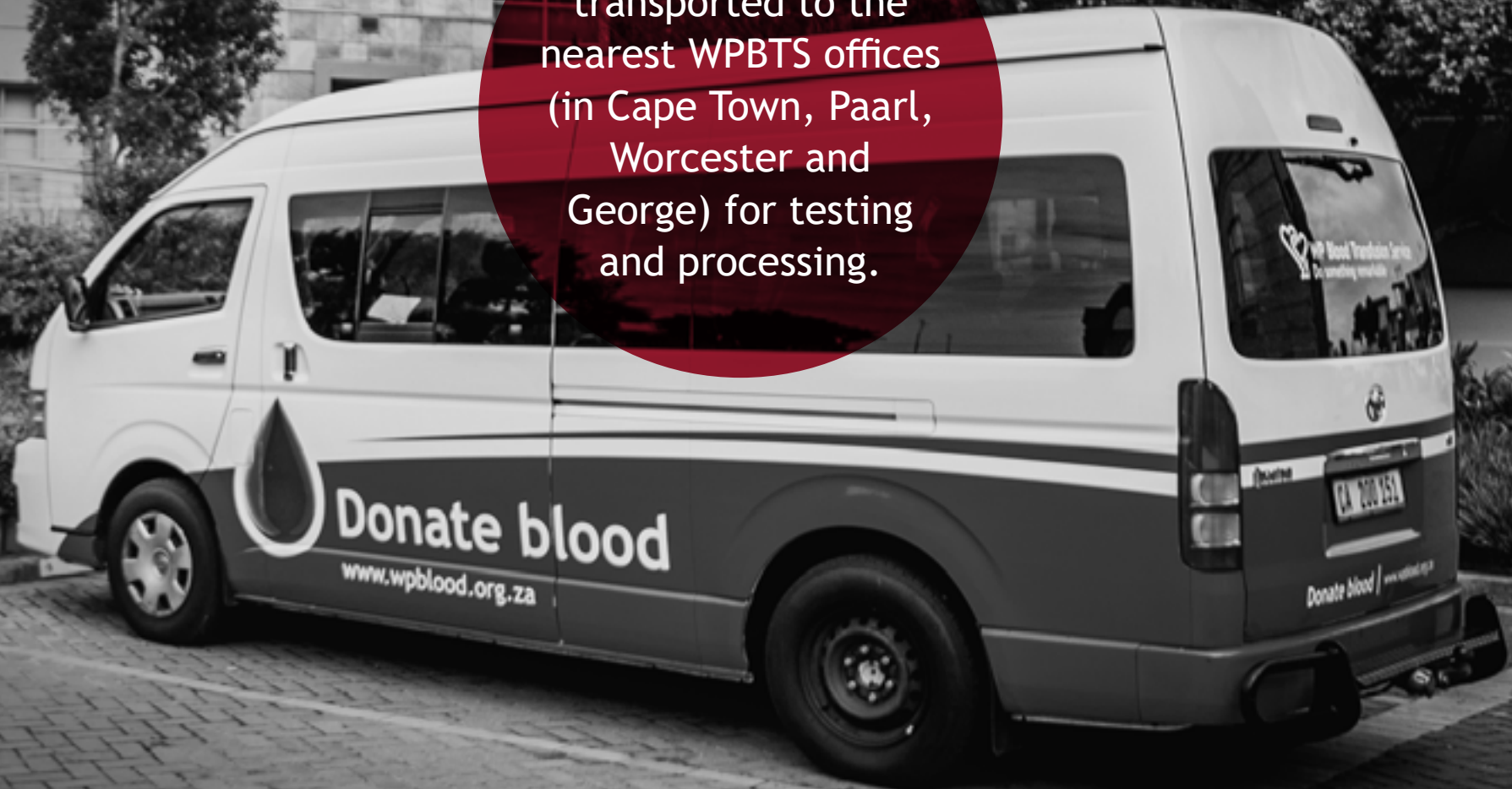
14 August 2017



# FROM ONE HEART TO ANOTHER



Units are transported to the nearest WPBTS offices (in Cape Town, Paarl, Worcester and George) for testing and processing.



# BUSINESS MODEL

**The Western Province Blood Transfusion Service (WPBTS) has been in existence since 1938, and is a non-profit company incorporated in terms of the Companies Act, 71 of 2008. The main activity of the Service is the collection, testing, processing, storing, distribution and issuing of blood products within the greater Western Cape region (an area approximately bordered by Plettenberg Bay, Springbok, and Beaufort West) to approximately 6.5 million people.**

**Blood collection cost and pricing strategy**  
Clause 6.1.1 of the draft National Blood Policy for South Africa (August 2010) states that “to ensure sustainability and appropriate development of the national blood programme, fees will be levied for all blood, blood components and blood products provided by the licence holders in the National Blood Programme on a cost recovery basis. Fee for service will be the main source of funding and will provide for recurrent expenditure and ongoing, sustainable development”. In South Africa most patients treated within the State sector are funded by the State (Provincial

Departments of Health), while those treated in the Private sector are funded by medical insurance or their own funds.

WPBTS has an array of approximately 70 products and 40 services with annual price increases implemented across the full product range as per the WPBTS published price list. Approximately 87% of income is contributed by red cell concentrate, fresh frozen plasma and platelets.

Because individual product input costs are not computed, the cost per unit of blood needs to be viewed by dividing total

expenses into various categories. This allows a reasonable allocation of costs to the “generic” blood product.

Recent allocations of expenses are summarised in the following table:

Expense	2016/17	%
Personnel	174 874 456	46.3%
Collections	34 354 637	9.1%
Testing	68 064 391	18.0%
Product costs	53 674 742	14.2%
Administration	28 670 075	7.6%
Repairs/Maintenance	8 318 382	2.2%
Depreciation	10 139 412	2.7%
<b>Total</b>	<b>378 096 095</b>	<b>100%</b>

Annually WPBTS projects future demand (with reference to recent trends) and then targets blood collections to meet these demands. In determining blood product price increases, the following key factors are taken into account:

- Sales volume forecasts for the following year.
- Budget to achieve sufficient collections to meet the projected demand, including factors such as inflation, discard rates, exchange rates, salary increases, projects and efficiency gains.

- Achieving a cash surplus to fund capital purchases, maintenance and expansion of existing facilities, and to implement appropriate new technologies.

A question often asked of Blood Services is “why do blood products cost what they do, if blood is given free-of-charge by blood donors?” The expense categories in the above table indicate the proportion of expenses incurred to convert the “free” raw material into a safe end-product suitable for transfusion - and the overall expenses dictate the income required to cover these expenses, to ensure the long-term sustainability of WPBTS and the Service therefore employs a cost-recovery model in determining the selling price of blood.

It must be noted that Blood Service provision in South Africa is on par with that of most first-world countries - with the result that most of the processing and testing technologies used are imported, and thus subject to global pricing and exchange rate fluctuations. In spite of this, red cell products cost significantly less in South Africa than they do in the USA and UK - possibly due to certain locally incurred costs such as staff salaries being lower, or operational efficiencies in the South African Blood Services, or different degrees of beneficiation, or a combination of these and other factors.



# STAKEHOLDER LANDSCAPE

WPBTS recognises that building and maintaining relationships with our stakeholders is a key priority. The Service actively engages with these stakeholders and their feedback informs and influences our activities and initiatives.

# CURRENT AND POTENTIAL BLOOD DONORS

Male	Female	Asian	Black	Coloured	White
51%	49%	1%	4%	31%	64%

Age						
16-18	19-25	26-29	30-39	40-49	50-59	60+
4%	12%	8%	20%	23%	20%	13%

## How we engage:

Interactions at blood donor clinics and drives, recruitment calls, recruitment SMSs, "The Blood Buzz" quarterly printed newsletter, annual donor survey, social media, donor awards function, feedback mechanisms, website with donor portal, educational and motivational talks, marketing and advertising campaigns, research and surveys.



## Our 2016/17 activities:

### Commitment campaign



20 142 donor awards



Electronic Donor Survey



Website donor registration portal



Instagram launch with competition



1 117 Facebook growth



253 total Instagram growth



1 949 total Twitter followers



178 005 website sessions, with 53 650 users



50 blood grouping sessions



78 donor registration sessions



30 wellness days

Increased digital marketing presence

Sponsorship of refreshment stations at big sporting events

YouthTube campaign



# MEMBERS

WPBTS Members consist of:

- 12 Board directors  
(2 x Executive directors and 10 x Independent non-executive directors)
- 670 Donor Representatives
- 23 Honorary members

## Our 2016/17 activities:

- Developed a Board Charter, a Board Code of Ethics and Board Code of Conduct.
- Developed Terms of Reference for the Social and Ethics Committee.
- Director Development: King IV training.
- Board evaluation/self-appraisal.
- Compliance management through Lexis Nexis alerts.
- Donor representative challenge.

## How we engage:

Donor representative function



AGM



# EMPLOYEES

## How we engage:

New employee induction, annual employee wellness day, formalised performance appraisal process, daily meetings with visual management boards, Directorate road shows, high performance team meetings, Gemba walks, “From the Heart” e-mail notices, “Remarkable Chronicles” quarterly internal newsletter, Journal Clubs (sharing experiences from congresses attended and research).

## Our 2016/17 activities:

- Lean Management Programme.
- Supervisory Development Programme.
- Health Professions Council of South Africa (HPCSA) national board exams.
- In-house training.
- Bursaries.
- WPBTS staff members contributed R5170 to Casual Day, Slipper Day and Tekkie Tax Day, + 272 non-perishable products for the Worcester We Care Project.
- Knowledge sharing: 11 staff members attended international conferences.



# UNIONS

i.e. PSA (Public Servants Association of South Africa)

## How we engage:

Ongoing labour forum meetings and discussions regarding workplace issues and annual wage negotiations.

## Our 2016/17 activities:

- Bi-monthly labour forum meetings.
- Quarterly Employment Equity Committee meetings.



# THE MEDIA

## How we engage:

Targeted media releases and direct communication to build public awareness.

## Our 2016/17 activities:

- The total advertising value equivalent (AVE) for the period, measured as an equivalent of advertising rates, was valued at R3 900 968.60.
- 147 interviews.
- 2 052 items of editorial media coverage across print, online and radio channels.

# SUPPLIERS AND VENDORS

## How we engage:

Supplier registration process, Service Level Agreements (SLAs).

## Our 2016/17 activities:

- Vendor audits.
- Tariff negotiations and agreements.





# BLOOD USERS

Provincial government, public hospitals, medical aid schemes, hospital management and clinicians.

## How we engage:

Annual meetings to discuss price increases, Blood users committee meetings, training of 8 haematology and 2 clinical pathology registrars, Service Level Agreements (SLAs).

## Our 2016/17 activities:

- Blood user customer satisfaction survey.
- 40% private vs 60% state use.
- CPD seminars.
- Clinical usage reports and audit.



# BLOOD RECIPIENTS

## How we engage:

Detailed accounts including information on donor claims and communication via clinicians.

## Our 2016/17 activities:

Haemovigilance data and reporting.



# REGULATORS AND POLICY MAKERS

Including the Department of health

## How we engage: Our 2016/17 activities:

Relationship and contact channels via Director General of Health with direct access to the Minister.

Department of Health: Revised Regulation - parental consent no longer required for 16 and 17 year old blood donors.

# SOUTH AFRICAN NATIONAL BLOOD SERVICE (SANBS)

## How we engage: Our 2016/17 activities:

National Blood Safety meetings, National Haemovigilance Report, sharing of blood stocks, bi-annual SA National Blood Transfusion Congress (SANBTC), South African Society for Blood Transfusion (SASBT).

- Supplied 1 272 units to SANBS.
- Standards updated.
- Co-organisation of SANBTC 2017.
- IT department interactions working towards a shared donor and recipient database.

# NATIONAL BIOPRODUCTS INSTITUTE (NBI)

## How we engage: Our 2016/17 activities:

Regular meetings and audits.

Supply of 19 187 litres of plasma from which medicinal products are manufactured.

# RELATED ORGANISATIONS

Including The Sunflower Fund, The South African Bone Marrow Registry, Organ Donor Foundation, Safe blood for Africa Foundation, African Society of Blood Transfusion (AfSBT), International Society of Blood Transfusion (ISBT), WHO, AABB, Namibian Blood Transfusion Service (NBTS), SA Haemophilia Foundation, CHOC, CANSA

## How we engage: Our 2016/17 activities:

Collaboration, promotional campaigns, congress attendance.

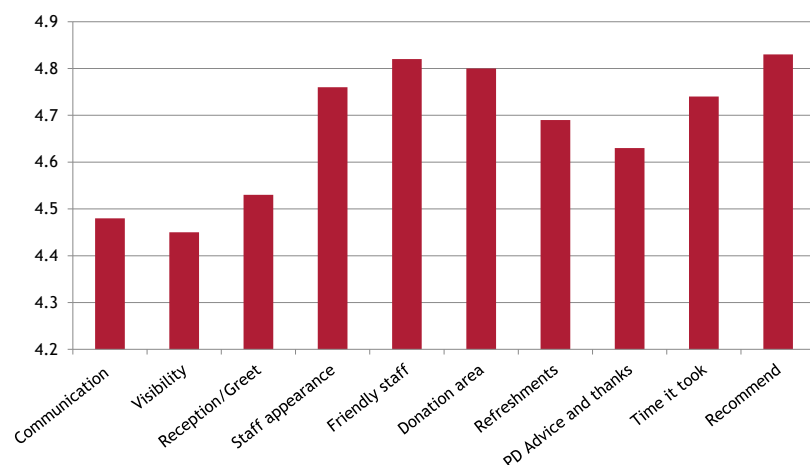
- Africa Society for Blood Transfusion congress - Kigali, Rwanda.
- ISBT Congress, Bali, Indonesia.
- SABMR 25th Anniversary function.
- Global Database for Blood Safety (GDBS) report submitted to WHO.

WPBTS recognises the need to regularly review our understanding of the needs and interests of two of our biggest stakeholders, blood donors and blood users.

## DONOR SATISFACTION SURVEY

Without the continued generosity of blood donors the provision and delivery of quality, safe and adequate blood products and services would not be possible. The donor survey gives a good overview of customer service at all WPBTS blood donor clinics.

A comprehensive annual electronic donor satisfaction survey was conducted during November 2016 with 3 420 participants throughout the Province.



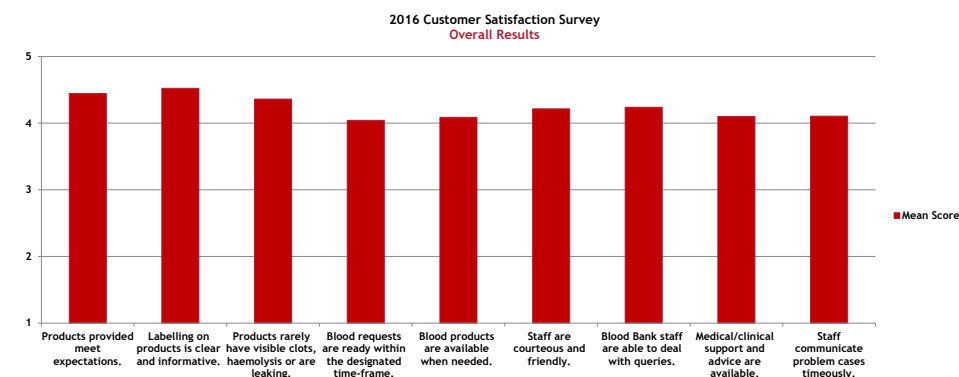
With a 94% overall score, donors were generally very happy with the service they received at blood donor clinics. It was also very positive that 97% of donors would recommend WPBTS to people considering donating blood. Areas for improvement (90% and below) include the visibility of clinics and signage, as well as communication with donors before donating. The comments sections offered valuable insights and suggestions for improvement.

The results from this survey inform our strategy review and business planning processes, and guide decision-making.

## BLOOD USER CUSTOMER SATISFACTION SURVEY

WPBTS conducts an annual blood user customer satisfaction survey as part of its on-going process to monitor the quality of service provided. The outcomes are analysed to identify areas for improvement in product quality and service delivery. The 2016 blood user customer satisfaction survey was distributed to a total of 34 hospitals across the Province from July to November 2016 and responses were received from 789 individual participants.

The survey results indicated that blood users are generally satisfied with the quality of blood products, service delivery at the Blood Banks, product availability and their experiences with dealing with WPBTS staff members.



Score legend: 1 = Strongly disagree, 2 = Disagree, 3 = Indifferent, 4 = Agree, 5 = Strongly agree. When more than one score was completed for the same statement, the score was not counted. Areas/parameters which scored less than 4 were acted upon by the relevant department.

# FROM ONE HEART TO ANOTHER



Blood is spun down in a centrifuge and separated into its different components: red blood cells, buffy coat and plasma.





WHOLE BLOOD



RED BLOOD CELLS



## BLOOD PRODUCTS

PLATELETS



PLASMA



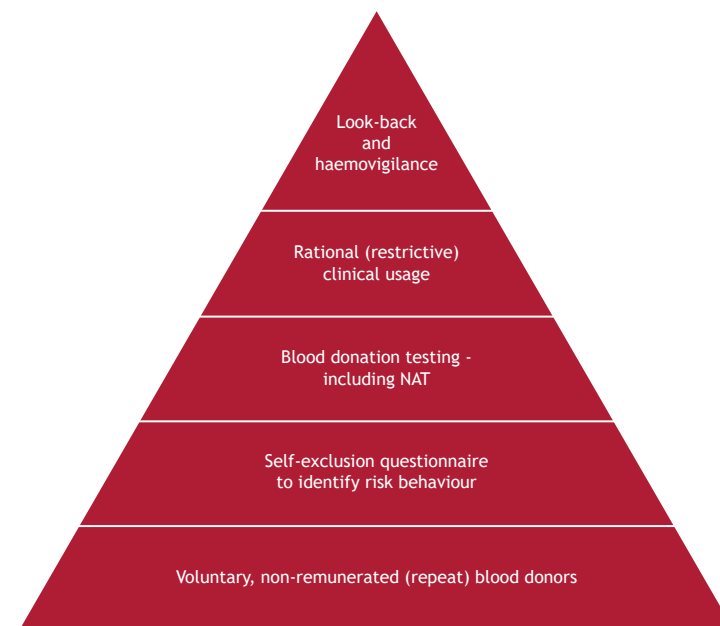


# RISKS AND OPPORTUNITIES

A comprehensive high-level strategic risk assessment (SRA), including workshops with senior management and interviews with key committee members, was conducted in 2014, with the outcome being a detailed Risk Register. A total of 23 significant risks were identified, with 13 having “high” or “critical” inherent risk ratings. All risks were reviewed and control measures were identified to mitigate each. After the application of preventative and corrective measures, the residual risks were categorised as “acceptable” and “to be monitored”.

## STRATEGIC RISKS

Risk	Inherent Risk Rating	Residual Risk Rating	Risk Owner
<b>Donor Risk</b>			
<ul style="list-style-type: none"> <li>Limited</li> <li>No blood supply</li> <li>Donor fatigue</li> </ul>	High	Acceptable	CEO/Medical Director
<b>Recipient Risk</b>			
<ul style="list-style-type: none"> <li>Safety of blood products</li> <li>Transmission of infection</li> </ul>	High	Monitor	CEO/Medical Director
<b>Transfusion Risk</b>			
<ul style="list-style-type: none"> <li>Safety of blood products</li> <li>Incompatible blood transfusions</li> </ul>	Critical	Monitor	CEO/Medical Director
<b>Medical risk to the donor</b>			
<ul style="list-style-type: none"> <li>Iron deficiency</li> <li>Taking donations from donors with underlying disorders</li> </ul>	High	Acceptable	CEO/Medical Director
Decrease in sales due to decline in use of blood	High	Monitor	CEO/Medical Director



## FINANCIAL RISK

Risk	Inherent Risk Rating	Residual Risk Rating	Risk Owner
<b>Financial sustainability</b> <ul style="list-style-type: none"> <li>Insufficient cash flow</li> <li>Exchange rate risk</li> <li>Emerging risk of debt collections from private individuals in state institutions</li> </ul>	High	Monitor	CFO/Operations Director

## COMPLIANCE RISK

Risk	Inherent Risk Rating	Residual Risk Rating	Risk Owner
<b>Non-compliance with key legislation</b> <ul style="list-style-type: none"> <li>National Health Act (NHA)</li> <li>HR and Financial Legislation</li> <li>Protection of Personal Information Act (POPIA)</li> </ul>	High	Monitor	CEO/Medical Director

## OPERATIONAL RISKS

Risk	Inherent Risk Rating	Residual Risk Rating	Risk Owner
<b>Damage to/failure of key technical/specialised equipment</b> <ul style="list-style-type: none"> <li>Loss of product</li> <li>Downtime on automated testing of samples</li> </ul>	High	Monitor	CFO/Operations Director
<b>Security and safety risk</b> <ul style="list-style-type: none"> <li>Damage to infrastructure/assets</li> <li>Safety to staff/clinics with civil unrest, protest action/crime - limitations to operate within areas/cancelling clinics</li> </ul>	High	Monitor	CEO/Medical Director
Inadequate IT infrastructure, processes and resources	High	Monitor	CFO/Operations Director
<b>Medical risk to staff safety</b> <ul style="list-style-type: none"> <li>Needle stick injury with exposure to infectious/untested tissues/safety hazards</li> </ul>	High	Monitor	CEO/Medical Director
Inadequate staffing/attraction and retention of specialists/scarcity of specialist skills	High	Monitor	CFO/Operations Director
Inability to find compatible blood in sub-groups of multi-transfused recipients	High	Monitor	CEO/Operations Director

The Board reviews the risk register and risk management processes regularly. The risk management process identifies all risks that relate to the core business of WPBTS (mission statement) and that will impact our ability to meet strategic objectives. The existing control measures identified to mitigate the residual risk ratings were reviewed to ensure that they are maintained and to establish whether new or additional controls should be applied to the relevant risks to ensure that these risks do not escalate in the future.



# FROM ONE HEART TO ANOTHER



Every unit is  
blood grouped and  
tested for HIV,  
hepatitis B & C  
and syphilis in our  
laboratories.





# 7 | PERFORMANCE REVIEW

WPBTS's mission statement is fulfilled by remaining dedicated to providing the safest blood products, efficient service to the community, operating at the highest professional and ethical standards, yet remaining a viable organisation. The following form the basis of the Service's Key Performance Indicators (KPIs) and strategic targets:

- Maintaining SANAS accreditation and minimising deviations from the Standards of Practice for Blood transfusion in South Africa
- Ensuring a safe working environment and 5-star OHSa accreditation.
- Maintaining sufficient blood product stock levels.
- Safe and appropriate procedures and products for donors and patients respectively.
- Achievement of specific strategic objectives - e.g. increasing the blood donor base.
- Reaching defined employment equity objectives.
- Improving the financial position and ensuring long-term sustainability.

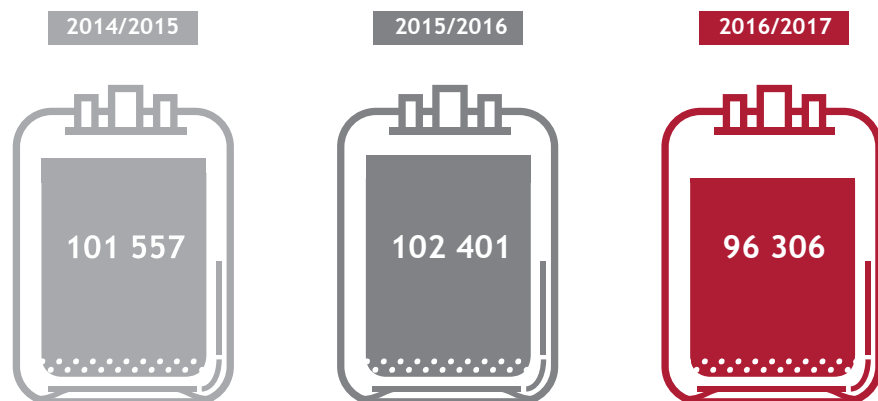
Due to the effects of some targets being "stretch goals" - which were achieved - the score for 2016/17 was a well-deserved 102%.



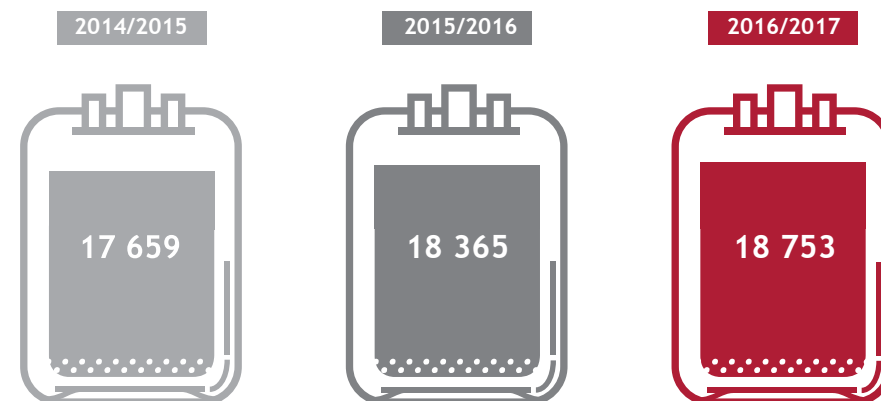
# FACTS AND FIGURES

## BLOOD DONATIONS COLLECTED AT CLINICS

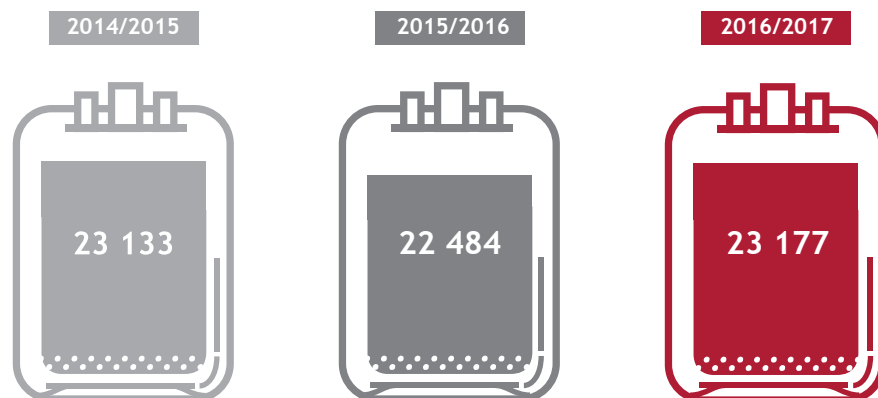
### Cape Peninsula



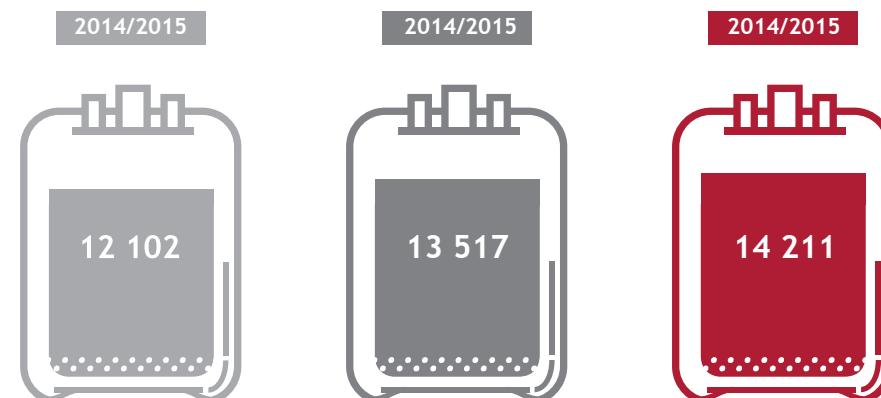
### Worcester



### Paarl

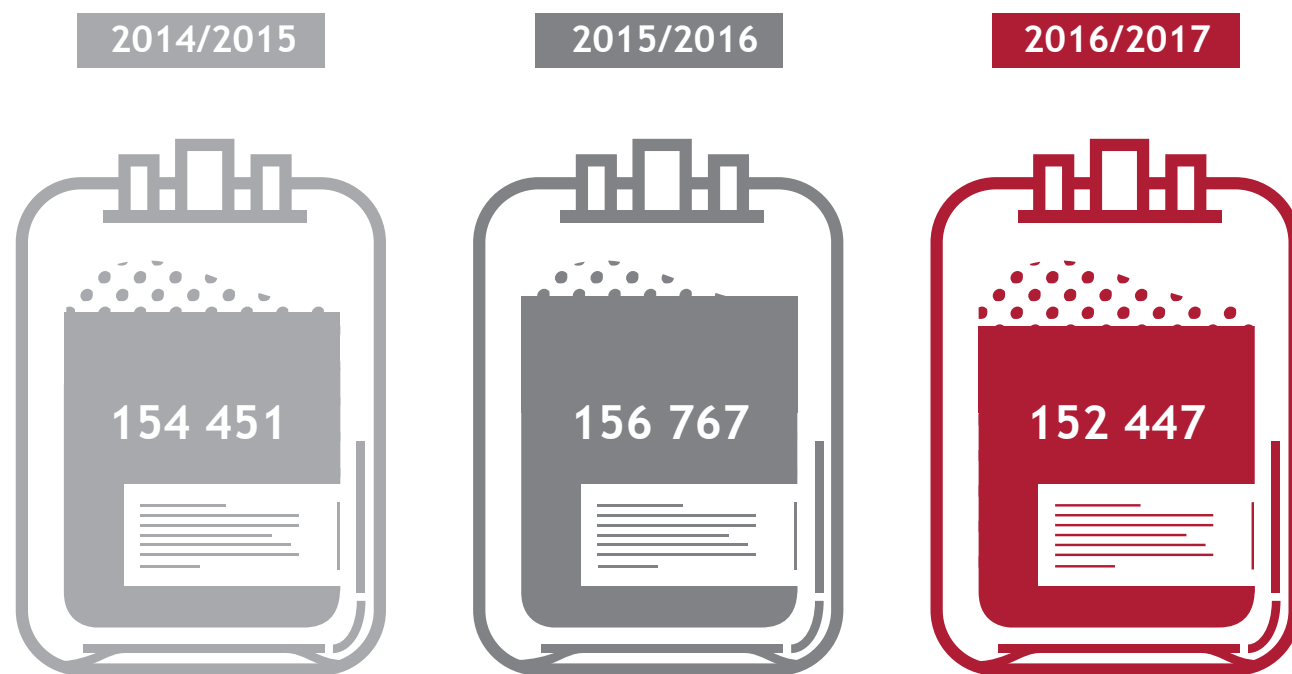


### George





## TOTAL BLOOD DONATIONS COLLECTED AT CLINICS

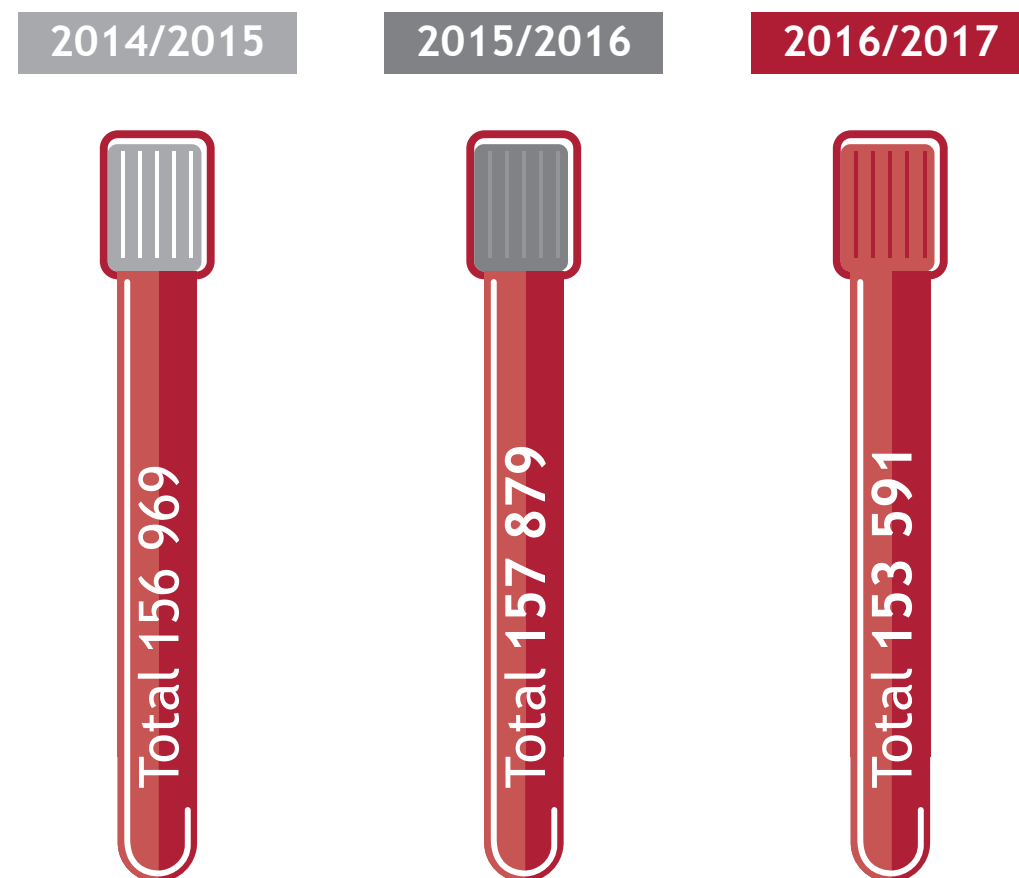


- Note 1:** Donation registered at clinics excludes not bled, insufficient, test only, dry pack, blood grouping, low HB, mailing list donors and underweight.

	2014/2015	2015/2016	2016/2017
Number of first time (new) donors	23 660	15 187	20 869
Number of donors who donated including new donors	71 620	70 695	70 140
New clinics opened	53	20	21
Average donation frequency (donation/year/donor)	2.16 donations	2.22 donations	2.17 donations



## TOTAL UNITS TESTED



- Note 1:** The totals units indicate all donations tested through the analyser, including apheresis and autologous units.

## CONFIRMED POSITIVE TEST RESULTS

	2014/2015	2015/2016	2016/2017
Hepatitis B	119	73	63
Hepatitis C	7	1	5
HIV	74	51	52
Syphilis	94	82	74

## NUMBER OF APHERESIS PLATELETS ISSUED FOR THIS PERIOD

	2014/2015	2015/2016	2016/2017
Adult apheresis platelets	3 603	3 595	3 812
Infant apheresis platelets	1 522	1 284	722

## SPECIALISED DONOR SERVICES INFORMATION

	2014/2015	2015/2016	2016/2017
Autologous donations	29	16	6
Designated donations	45	37	36
Therapeutic donations	2 404	2 793	3 348

## ADVERSE TRANSFUSION REACTIONS

	2014/2015	2015/2016	2016/2017
Allergic	82	79	93
Febrile	59	57	65
Anaphylactic	17	13	10
Hypotensive	6	2	4
Misdirected transfusion	1	6	2
Acute haemolytic reaction	1	1	0
Delayed haemolytic reaction	0	0	0
TRALI (transfusion related acute lung injury)	1	1	0
TACO (transfusion associated circulatory overload)	0	0	2
<b>Total</b>	<b>167</b>	<b>159</b>	<b>176</b>

## BLOOD BANK INFORMATION: ISSUED PRODUCTS

	2014/2015	2015/2016	2016/2017
Red cell concentrates	140 290	133 796	130 028
Platelets	4 956	5 287	5 174
Fresh frozen plasma	25 238	23 726	22 880
Whole blood	174	219	248
Emergency blood	9 440	10 170	9 628
After hours requests	57 565	57 641	52 512

- **Note 1:** Fresh frozen plasma includes both infant and adult fresh frozen plasma.
- **Note 2:** Emergency blood includes blood issued by Stock Control, as well as those issued from the Blood Banks.
- **Note 3:** The figures include those of the whole Western Cape region.

## QUALITY & SAFETY

	2014/2015	2015/2016	2016/2017
SANAS Accreditation status	Full	Full	Full
Technilaw	★★★★★	n/a	n/a
Safe Working Practice:			
N1 City Blood Donation Clinic	n/a	★★★★★	★★★★★
Red Cross Blood Bank	n/a	★★★★★	★★★★★
George Regional Office	n/a	★★★★★	★★★★★
Pinelands Head Office	n/a	★★★★	★★★★★

- **Note 1:** Since February 2016 Safe Working Practice has conducted the OHSa Compliance Audits.

## EQUITY FIGURES

Employment equity targets are one of the Service's KPIs and are monitored and reviewed regularly. Once again WPBTS met its targets for the period under review.

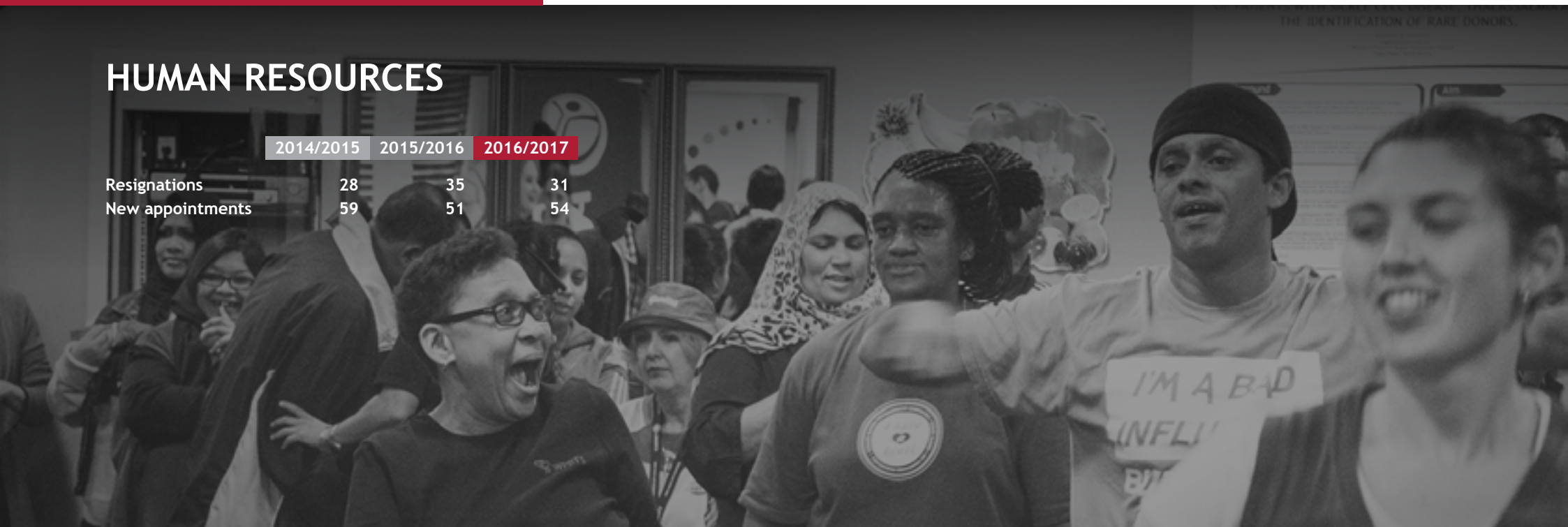
Currently 79.45% of staff are from the black designated group and 62.23% of staff are females.

## WPBTS EMPLOYEE RACIAL PROFILE COMPARED WITH WESTERN CAPE DEMOGRAPHICS

	2014/2015	2015/2016	2016/2017	Western Cape
African / Black	14.1%	14.6%	14.1%	36.0%
Coloured	61.2%	63.0%	63.2%	48.7%
Indian / Asian	0.7%	1.1%	1.2%	0.5%
White	23.8%	21.7%	20.6%	14.9%

## HUMAN RESOURCES

	2014/2015	2015/2016	2016/2017
Resignations	28	35	31
New appointments	59	51	54







# FROM ONE HEART TO ANOTHER

Blood and  
blood products are  
sent to seven blood  
banks and 101 emergency  
blood fridges at 92  
hospitals throughout  
the Western Cape

# GOVERNANCE

The WPBTS Board of Directors are made up of ten independent non-executive directors and two executive directors.



## OUR BOARD



**Dr Arthur Bird (70)**  
NON-EXECUTIVE DIRECTOR

**BOARD TENURE IN YEARS:** 24\*

**COMMITTEE:**  
Social & Ethics

**QUALIFICATIONS:**  
Executive leadership, Transfusion Medicine [MBChB (UCT), M.Med. (Path) (Haem) (UCT), F.C.Path (Haem) (SA)]

\* Includes period as CEO/Medical Director.



**Mr Mervyn Burton (59)**  
NON-EXECUTIVE DIRECTOR

**BOARD TENURE IN YEARS:** 6

**COMMITTEES:**  
Risk & Governance  
Audit (Chair)  
Finance & IT

**QUALIFICATIONS:**  
Chartered Accountant [B Compt., B Compt. (HONS), CA (SA)]



**Prof Brian Figaji (73)**  
NON-EXECUTIVE DIRECTOR

**BOARD TENURE IN YEARS:** 12

**COMMITTEES:**  
Audit  
Remuneration & Nominations (Chair)

**QUALIFICATIONS:**  
Education / Management / Engineering [B Sc (UWC), B Sc (Eng) (UCT), GDE (UCT), DTE (UNISA), M Ed (Harvard), D Litt (hc) (Cal State), D Ed (hc) (Coventry)]



**Dr Andrea Huggett (43)**  
NON-EXECUTIVE DIRECTOR

**BOARD TENURE IN YEARS:** 3

**COMMITTEES:**  
Social & Ethics  
Finance & IT

**QUALIFICATIONS:**  
Medical Doctor [MBChB (UCT), Diploma in Emergency Care, MBA (UCT), Post Graduate Diploma in Financial Planning (UOFS)]



**Prof Vernon Louw (48)**  
NON-EXECUTIVE DIRECTOR

**BOARD TENURE IN YEARS:** 2

**COMMITTEES:**  
Risk & Governance  
Social & Ethics

**QUALIFICATIONS:**  
Clinical Haematologist [MBChB (Stell), MMed (Int.Med) (Stell), FCP (SA), PhD (HPE) (UFS), Registered Specialist Physician and Clinical Haematologist]



**Mr Dumisane Ndebele (50)**  
NON-EXECUTIVE DIRECTOR

**BOARD TENURE IN YEARS:** 4

**COMMITTEE:**  
Remuneration & Nominations

**QUALIFICATIONS:**  
Human Resources Director, Pathcare [BA degree, BSoc Sc (Hons), PDM (Post Graduate Diploma in Management), Certificate in Strategic HR Planning and CEDR Mediator]



**Mr Nazir Parker (54)**  
NON-EXECUTIVE DIRECTOR

**BOARD TENURE IN YEARS:** 15

**COMMITTEES:**  
Remuneration & Nominations  
Finance & IT

**QUALIFICATIONS:**  
Attorney, Parker Holt Attorneys [B.Proc, MBL, Admitted attorney, Conveyancer and Notary]



**Mr Roger Ramsbottom (70)**  
NON-EXECUTIVE DIRECTOR

**BOARD TENURE IN YEARS:** 25

**COMMITTEES:**  
Audit  
Finance & IT (Chair)

**QUALIFICATIONS:**  
Business Management / Chartered Accountant [CA (SA) (retired), CTA (UCT), BComm (Hons) (UCT)]



**Mr Paul Slack (60)**  
NON-EXECUTIVE DIRECTOR

**BOARD TENURE IN YEARS:** 13

**COMMITTEES:**  
Risk & Governance  
Remuneration & Nominations  
Finance & IT

**QUALIFICATIONS:**  
Chartered Accountant [B Comm (Hons) Financial Management, CA (SA)]



**Mr PJ Veldhuizen (45)**  
NON-EXECUTIVE DIRECTOR

**BOARD TENURE IN YEARS:** 2

**COMMITTEES:**  
Risk & Governance (Chair)  
Social & Ethics  
Finance & IT

**QUALIFICATIONS:**  
Lawyer [B Proc., Cert. Tax, LL.M, MBA, Adv. Corp Law & Securities]

# OUR BOARD



**Dr Greg Bellairs (53)**  
EXECUTIVE DIRECTOR

**BOARD TENURE IN YEARS:** 9

**COMMITTEES:**  
All committees

**QUALIFICATIONS:**  
WPBTS CEO & Medical Director  
[BSc, MBChB, MBA (UCT),  
Postgraduate Diploma in Tfn Med  
(UFS)]



**Ms Nicky du Toit (53)**  
EXECUTIVE DIRECTOR

**BOARD TENURE IN YEARS:** 5

**COMMITTEES:**  
All committees

**QUALIFICATIONS:**  
WPBTS CFO and Corporate  
Services Director [B.Compt &  
Advanced Certificate in Tax]



**Ms Irene van Schalkwyk (39)**  
COMPANY SECRETARY

**BOARD TENURE IN YEARS:** 2

**QUALIFICATIONS:**  
WPBTS Manager: PR, Promotions  
and Planning;  
Company Secretary [B.Tech  
Language Practice (TUT), MBA  
(UFS), Company Secretarial and  
Governance Practice (ICSSA)]





# BOARD COMMITTEES 2016/2017

## AUDIT COMMITTEE

The Audit Committee is required to report in terms of section 94(7)(f) of the Companies Act, Act 71 of 2008 on:

- How the Committee carried out its functions;
- The independence of the auditor of the company; and
- Commenting on the financial statements, the accounting practices and internal control of the company.

The Committee considers that it has adequately performed its duties in terms of its mandate, King III and the Companies Act 2008, as amended.

In line with the International Financial Reporting Standards and Corporate Governance, this Committee must ensure Risk Management Oversight and responsible and transparent assurance processes. It meets several times a year to review company financial statements, and monitor the mechanisms of financial reporting.

### Composition

The Audit Committee is comprised of three non-executive directors. The senior management dealing with the financial affairs of the company have no voting powers. Three meetings were held during the year and was also attended by the auditors, currently Ernst and Young (EY).

### Mandate and responsibilities

In terms of its mandate, this Committee is required inter alia to:

- Review the annual financial statements of the Service.
- Ensure that the financial statements are prepared in accordance with International Financial Reporting Standards.
- Review the accounting policies adopted by the Service and any changes thereto.
- Consider the going concern principles and reasons for recommendation to the Board.
- Make recommendations on the appointment of the external auditors and their fees.
- Evaluate the independence and effectiveness of the external auditors, consider any non-audit services by such auditors; and whether the rendering of such services would substantially affect their independence.
- Agree the annual audit plan and audit budget with External Auditors.
- Review the effectiveness of management information, the annual audit and the internal system of controls.
- Monitor compliance with applicable legislation and regulatory aspects.
- The Board has assessed the need for a separate Internal Audit Function. The Board's decision is that the organisation does not currently require this function as it mitigates its risks through a rigorous Enterprise Risk Management System and the utilisation of Combined Assurance Principles which includes the work of our External Auditors, Management Controls and Third Party and Internal operations and quality audits which are compulsory for this type of Entity.
- In addition, members of this Committee recommend the payment of the performance bonus which is based on several key performance indicators.

The Committee performed all its duties as set out above.

The external auditors have unlimited access to the chairperson of the Committee and the monthly management reports received by the executives on day-to-day matters.

The Committee is satisfied that the 2017 audit conducted by the external auditors was independent and concurs with the audit report. The auditors' report is included in the annual financial statements which can be viewed [here](#).

**Mervyn Burton**

*Chairman: Audit Committee*





## REMUNERATION AND NOMINATIONS COMMITTEE

This Committee ensures that the general remuneration strategy of the organisation is in line with industry standards. WPBTS continues to provide market-related salaries and a comprehensive benefits package, enabling us to attract and retain skilled staff. Wherever and whenever possible, we strive to appoint demographically representative staff with the appropriate skill sets. The current remuneration policy at WPBTS includes individual performance measurement and reward.

### Composition

The Remuneration Committee is comprised of four non-executive directors and the two executive directors. The executive management however, is recused from the meeting during discussions regarding their remuneration. The Committee had three meetings during the year. Issues relating to remuneration were however comprehensively addressed at full Board meetings.

### Mandate and responsibilities

The Committee is responsible for the following:

- Determining and maintaining the remuneration philosophies of the Company.
- Approving and maintaining appropriate human resources and remuneration policies.
- Executive management succession planning.
- Monitoring the implementation of relevant labour legislation.
- Monitoring transformation policies in terms of employment equity and reporting to the Department of Labour.
- Making recommendations regarding executive directors' remuneration to the Board.
- Approving annual mandates for salary increases.
- Approving annual bonus payments in terms of pre-approved incentive schemes.

- The Committee also recommends the remuneration of non-executive directors to the Board. Non-executive directors are remunerated for their membership of the Board and Board appointed committees.

The remuneration levels reflect the size and complexity of the company as well as the time spent in dealing with the affairs of the company. Market practices and remuneration surveys are taken into account in the determination of directors' remuneration.

The elements of non-executive directors' remuneration are:

- A monthly retainer.
- A meeting attendance fee.
- Travelling and actual expenses where applicable.

The remuneration of the directors for the year under review can be viewed [here](#).

WPBTS' approach is to set remuneration levels that attract, retain and motivate the appropriate calibre of directors and staff. In pursuit of the remuneration objectives the Service regularly benchmarks the existing salary bands against appropriate external remuneration levels. Further, the WPBTS requires each employee to be appraised annually against a clear set of key performance indicators (KPIs). All of the above is aimed at creating a happy yet efficient working environment in which the Service delivers safe, reliable and appropriate products into the health system.

**Brian Figaji**

*Chairman: Remuneration and Nominations Committee*

# RISK AND GOVERNANCE COMMITTEE

Acceptance and the taking on of risk is an inherent part of doing business as a company. This is not peculiar to profit companies but similarly affects not-for-profit companies. The Risk and Governance Committee is responsible for the governance of risk, for the identification of potential risk issues, compliance with good corporate governance, applicable legislation and for communication of identified risk areas to the Board.

## Composition

The Risk Committee comprises of three non-executive directors and the two executive directors. Notwithstanding the composition of the committee risks identified by executive management are frequently considered at the main Board meetings or by a round robin email and debated immediately rather than delaying decision-making by first having to serve the committee level. This, in my view, is particularly efficient.

## Mandate & Responsibilities

King IV defines Risk as follows:

*“Risk is about the uncertainty of events; including the likelihood of such events occurring and their effect, both positive and negative, on the achievement of the organisation’s objectives. Risk includes uncertain events with a potential positive effect on the organisation (i.e. opportunities) not been captured or not materialising.”*

King IV has reduced the over 70 principles in the previous King code to 17 basic principles. Part 6.3 of the King IV which should be read together with the balance of the King IV Report provides a supplement for non-profit organisations and identifies how Principles 1 - 16 should be applied in the not-for-profit company context.

Principle 11 requires that - *“The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.”*

The Committee and, in turn, the Board considers the risk factors in the external and internal business environments and the options for meeting the risks include, but are not limited to: avoiding the risk, treating or reducing the risk, transferring the risk, tolerating the risk, exploiting the risk or terminating the activity that causes the risk. This has been specifically demonstrated in the consideration and/or decisions taken in relation to:

- The closing of the Fractionation Plant.
- The age of consent for blood donors.
- Training of directors and Board appraisal.
- The National Blood Programme.
- Rotation of directors.
- The OHSA accreditation audit.
- Possible transfusion transmitted infection and medicolegal issues.

## Additional Ongoing Risks

- The ongoing risk in relation to the National Health Act’s requirement for a single license transfusion service continues to pose a significant risk to the Service but ongoing communications are being held between the Service and the National Department of Health.
- Recipient risk - blood product safety.
- Donor risk - regularity of donations and donor fatigue.
- Pricing pressures - cost which market will accept.
- Exchange rate risk.
- Blood Management System - the Service is investigating potential suppliers.

**PJ Veldhuizen**

*Chairman: Risk and Governance Committee*



## FINANCE AND IT STEERING COMMITTEE

### Composition

The Committee comprises six non-executive directors, and two executive directors. Other members are co-opted to attend meetings when required.

### Mandate and responsibilities

The Finance and IT Committee reports to the Board on a number of matters and is therefore directly involved in the following:

- Ensuring the Service's accountability for the proper use of funds.
- Supervising the financial position of the Service.
- Financial supervision of the Service's assets
- Providing information to the Board, Risk Committee and Audit Committee to support the overall management of IT Governance.
- Overseeing monitoring the execution of the IT strategy.
- Monitoring the execution of the IT governance arrangements as well as ensuring compliance to applicable laws, regulations, policies and standards.
- Approving and monitoring compliance to security standards and policies.
- Ensuring that all significant IT initiatives are driven to completion within time and budget and to scope.
- Ensuring that the IT strategy is updated on a regular basis and is aligned to the business strategy.
- Monitoring service levels and service improvement.

**Roger Ramsbottom**

*Chairman: Finance and IT Steering Committee*

## SOCIAL AND ETHICS COMMITTEE

In the previous Annual Report it was reported that the sub-committee was in the process of formalising the Terms of Reference/Mandate of this body, as per recommendations following an audit of the governance structures at WPBTS. The committee met in October 2016 and made recommendations which were circulated to the Board and accepted and signed off by the Chairman.

The fundamental principles of biomedical ethics should be the pillars which underpin the ethical values of the Service, namely:

- Autonomy.
- Non-maleficence (at first do no harm); beneficence.
- Justice - all patients to be treated justly, fairly and equally.

Other Terms of Reference agreed were:

- Monitoring Patient Blood Management programmes.
- Monitoring Social & Economic development (e.g. Employment Equity).
- Promoting good corporate citizenship.
- Monitoring environmental health and public safety - specifically to investigate possible certification to ISO 1400 standards.
- Consumer relationships and compliance with Consumer Protection legislation.
- Monitor labour and employment practice.

The committee also has an important role in terms of research ethics. It was agreed that the Committee acts as a gatekeeper; referring projects for ethical approval by local institutional bioethics committees, but can also approve research projects in some circumstances.

**Dr Arthur Bird**

*Chairman: Social and Ethics Committee*





# BOARD MEETINGS

Board meeting attendance:

Name	Social & Ethics	Board Meetings	Audit Committee Meetings	Finance and IT Steering Committee Meetings	Remuneration & Nominations Committee Meetings	Risk & Governance Committee Meeting
<b>Number of meetings</b>	<b>1</b>	<b>8</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>1</b>
<b>Non-executive directors</b>						
Dr A Bird	1	4				
Mr M Burton		8	3	2		1
Mr PJ Veldhuizen	1	8		1		1
Prof V Louw		4				
Prof B Figaji		8	3		3	
Mr N Parker		7		1	2	
Mr D Ndebele		5			2	
Mr R Ramsbottom		6	2	1		
Mr P Slack		6		2	3	
Dr A Huggett	1	7		2		
<b>Executive directors</b>						
Dr G Bellairs	1	8	3	2	3	1
Ms N du Toit	1	8	3	2	3	1

# NON-EXECUTIVE DIRECTORS' REMUNERATION

Directors' remuneration can be viewed in the annual financial statements and is broken down as follows:

Board Member Rates	Meeting	Monthly Retainer	Committee Meeting
July 2016 - June 2017	R 2 233	R 446	R 1 116

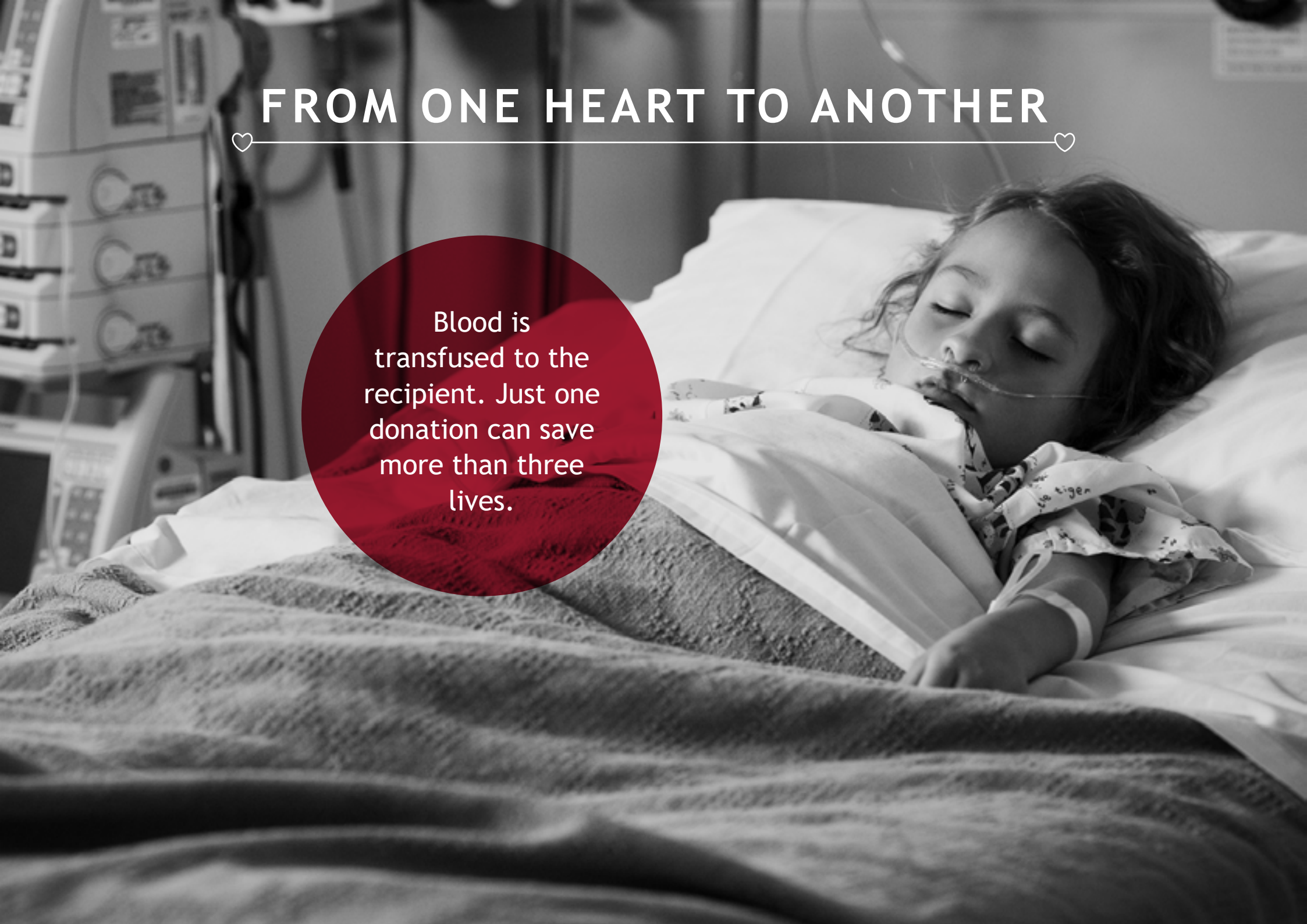
Board Chair Rate	Meeting	Monthly Retainer	Committee Meeting
July 2016 - June 2017	R 2 679	R 536	R 1 116

During this financial year, a Board Charter and Board Terms of Reference was formulated and adopted. Board self-evaluations were also conducted for the first time. The Board believes the self-assessment survey tool will identify points of improvement in order to help the Service and Board members discover their full potential.

# FROM ONE HEART TO ANOTHER



Blood is  
transfused to the  
recipient. Just one  
donation can save  
more than three  
lives.



# 9 | FINANCIAL STATEMENTS

## WESTERN PROVINCE BLOOD TRANSFUSION SERVICE

Non-Profit Company Incorporated in Terms of the  
South African Companies Act 71 of 2008

(Registration Number 1943/016692/08)

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 50 to 78 were approved by the board of directors on 24 July 2017 and are signed on its behalf on 15 August 2017 by:



CHAIRMAN



DIRECTOR



# INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE COMMITTEE MEMBERS OF WESTERN PROVINCE BLOOD TRANSFUSION SERVICE  
Non-Profit Company Incorporated in Terms of the South African Companies Act 71 of 2008 (Registration Number 1943/016692/08)

## OPINION

We have audited the financial statements of Western Province Blood Transfusion Service set out on pages 53 to 78, which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Western Province Blood Transfusion Service as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA code) and other independence requirements applicable to performing the audit of Western Province Blood Transfusion Service. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Western Province Blood Transfusion Service. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Company Secretary's Certificate and the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise

appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**Ernst & Young Inc.**  
**Director: Pierre du Plessis**  
**Registered Auditor**  
**Chartered Accountant (SA)**  
**Cape Town**



**15 August 2017**



# DIRECTORS' REPORT

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017

Non-Profit Company Incorporated in Terms of the South African Companies Act 71 of 2008 (Registration Number 1943/016692/08)

### BUSINESS AND OPERATIONS

The principal activity of the Western Province Blood Transfusion Service is the collection, testing, processing and distribution of blood products and services.

### CORPORATE STRUCTURE

Western Province Blood Transfusion Service was incorporated as an association not for gain in 1943 in terms of Section 21 of the previous Companies Act, 1973. The company continues to exist and in terms of Schedule Transitional Arrangement of the Companies Act, 2008, the company is deemed to have been incorporated and registered under Section 8 of the said Act as a non-profit company, with at least one of its objects being a public benefit social activities, or communal interests.

### RESULTS FOR THE YEAR

The results of operations for the year are set out in the attached Statement of Comprehensive Income which reflects a profit of R2.9 million for the year ended 31 March 2017 (2016: R17.3 million loss).

### CAPITAL COMMITMENTS

In keeping with the Western Province Blood Transfusion Service's mission statement, the company continues investing in technical equipment to maintain its standards. Expected total capital expenditure for the next year is R24.1 million.

### DIRECTORS AND COMPANY SECRETARY

Particulars of the present directors and secretary are given on page 8.

### EMPLOYMENT EQUITY

The employment equity plan was originally developed in consultation with Protusa and is currently being monitored in consultation with Public Servants Association of South Africa, the Union which now represents the majority of the workforce. The action over the past three years has focused on maintaining or improving the ratios which have been achieved.

As at 1 October 2016, the date of the last employment equity submission, the Service employed 511 permanent and 10 casual/temporary employees. As at the date of the last submission, 79% of permanent employees were from the black designated group and 62% were female. Of the 17 employees in management, 35% were from the black designated group and 65% were female.

### NATIONAL BLOOD TRANSFUSION LICENCE

Section 53 of the National Health Act was signed by the Office of the Presidency in June 2009. The Act makes

provision for a single licence for a single blood transfusion service in South Africa.

Draft regulations for blood and blood products were published for comment during 2011. SANBS, NBI and WPBTS submitted recommendations in June 2011. The regulations published in early 2012 did not include several of our recommendations, and a response was subsequently sent to the National Department of Health. Official feedback is awaited.

Legal opinion remains that the Act cannot be currently enforced, and that WPBTS is currently operating legally based on pre-existing licensing under the Human Tissues Act. WPBTS continues to cooperate with SANBS and the National Department of Health and remains committed to a solution that best serves regional and national blood transfusion requirements.

### EVENTS SUBSEQUENT TO THE YEAR END

During December 2016, with the approval of the Board, the property situated at Connaught Road, Beaconvale, Parow, was placed on the open market for sale. Subsequent to financial year-end of 31 March 2017 and prior to the approval of the financial statements the directors received a binding offer on 16 May 2017 for the sale of the Fractionation Plant amounting to R7 million, which includes the land, building and related assets. The board carefully considered the impact of this offer on the valuation of the property at year end. This is a non-adjusting post balance sheet event as at balance sheet date the directors believed that the Property Plant and Equipment was appropriately valued. The rationale for accepting this offer on 29 May 2017 was based mainly on the fact that the prospective purchaser has committed to renting a portion of the premises at a favourable rate per square metre for the following 36 months. Although the sale results in a loss to the Service, the directors deemed this a reasonable offer considering the given soft rental offer from the prospective purchaser.

### COMPANY SECRETARY'S CERTIFICATE

In my capacity as Company Secretary, I hereby certify, in terms of the Companies Act, that for the period ended 31 March 2017, the company has lodged with the Registrar of Companies all such returns as are required of a private company in terms of this Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.



.....  
Irene van Schalkwyk  
15 August 2017

# STATEMENT OF FINANCIAL POSITION

## AT 31 MARCH 2017

	Note	2017 R	2016 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	90 075 684	103 997 617
Investments	9	15 784 978	15 534 933
		105 860 662	119 532 550
<b>Current assets</b>			
Inventory	11	38 076 122	33 334 719
Trade and other receivables	12	47 940 519	39 632 860
Cash and cash equivalents	13	30 862 049	21 427 616
		116 878 690	94 395 195
<b>Non-current assets held for sale</b>			
Assets held-for-sale	10	10 471 981	-
		10 471 981	-
<b>Total assets</b>		<b>233 211 333</b>	<b>213 927 745</b>
<b>EQUITY AND LIABILITIES</b>			
Accumulated funds		111 473 527	109 395 718
Revaluation reserve	14	34 545 173	43 626 973
Non-current asset held for sale	10	9 081 800	-
Non-distributable reserves	15	2 282 262	2 224 787
Product liability reserve	16	6 940 271	6 144 890
Actuarial gain/loss reserve	22	(64 000)	(64 000)
		164 259 033	161 328 368
<b>Non-current liabilities</b>			
Post-retirement medical benefits	22	2 069 000	2 015 000
Interest bearing liabilities	23	765 134	-
		2 834 134	2 015 000
<b>Current liabilities</b>			
Interest bearing liabilities	23	243 330	-
FEC liability	24.5	2 535 330	4 301 378
Operating lease liability	24.4	260 070	265 350
Trade and other payables	17	37 817 205	29 198 223
Provisions	18	25 262 231	16 819 426
		66 118 166	50 584 377
<b>Total equity and liabilities</b>		<b>233 211 333</b>	<b>213 927 745</b>



# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 R	2016 R
<b>TURNOVER</b>	2	370 761 082	340 980 578
<b>COST OF SALES</b>	7	150 768 640	155 566 262
Collections		34 354 637	35 139 828
Testing		65 401 826	58 501 721
Product costs		51 012 177	61 924 713
<b>GROSS SURPLUS</b>		219 992 442	185 414 316
<b>INCOME</b>		12 441 148	9 798 200
Fair value gain on investments	9	250 045	534 933
Interest received			
- bank deposits	2	2 106 561	1 913 337
- amortisation of debtors	2	5 047 398	4 083 653
Net surplus and scrapping on disposal of property, plant and equipment		801 610	620 677
Realised gains on foreign exchange		1 807 532	-
Unrealised gains on foreign exchange		367 938	1 338 543
Sundry income	3	1 801 063	982 894
Grant income	4	257 599	265 541
Professional development fund income	15(a)	226	14 737
Product liability income	16	1 176	43 885
<b>EXPENSES</b>		229 502 925	212 541 716
Personnel	5	174 874 456	156 689 249
Administration	6	28 508 125	29 429 520
Realised losses on foreign exchange		-	2 258 361
Realised losses on derivative financial instruments		4 965 270	111 494
Fair value of FEC liability - unrealised loss		2 535 330	4 301 378
Finance costs	19	70 554	2 624
Repairs and maintenance		8 318 382	9 928 942
Depreciation	8	10 139 412	9 733 464
Professional development fund expense	15(a)	91 396	86 684
<b>PROFIT/(LOSS) FOR THE YEAR</b>		2 930 665	(17 329 200)
<b>OTHER COMPREHENSIVE INCOME</b>			
Items not reclassified to profit or loss		-	2 886 000
Net (loss)/gain on actuarial gains and losses		-	(64 000)
Revaluation gain/(loss) on land and buildings		-	2 950 000
Items reclassified to profit or loss		-	-
<b>TOTAL COMPREHENSIVE INCOME/ (LOSS)</b>		2 930 665	(14 443 200)

# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 MARCH 2017

Note	Non-distributable reserves R	Revaluation reserve R	Non-current asset held for sale R	Product liability reserve R	Actuarial gains/losses reserve R	Accumulated funds R	Total R
<b>Balance at 31 March 2015</b>	2 296 734	40 676 973	-	6 101 005	-	126 696 856	175 771 568
Profit/(loss) for the year	-	-	-	-	-	(17 329 200)	(17 329 200)
Other comprehensive income	14/22	2 950 000	-	-	(64 000)	-	2 886 000
Transfer to/from non-distributable reserves	15(a)	(71 947)	-	-	-	71 947	-
Transfer to product liability reserve	16	-	-	43 885	-	(43 885)	-
<b>Balance at 31 March 2016</b>	2 224 787	43 626 973	-	6 144 890	(64 000)	109 395 718	161 328 368
Profit for the year	-	-	-	-	-	2 930 665	2 930 665
Other comprehensive income	14/22	-	-	-	-	-	-
Transfer to non-distributable reserves	15(a)	57 475	-	-	-	(57 475)	-
Transfer to product liability reserve	16	-	-	795 381	-	(795 381)	-
Transfer from revaluation reserve	-	(9 081 800)	9 081 800	-	-	-	-
<b>Balance at 31 March 2017</b>	2 282 262	34 545 173	9 081 800	6 940 271	(64 000)	111 473 527	164 258 033

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 MARCH 2017

Note	2017 R	2016 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated by operations	(i) 5 997 481	1 210 922
Interest received	5 047 398	4 083 653
Working capital movements	(ii) 2 241 397	(4 156 958)
Cash generated by operating activities	13 286 276	1 137 617
Finance Cost	(70 554)	(2 624)
<b>Net cash inflow from operating activities</b>	<b>13 215 722</b>	<b>1 134 993</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(iii) (8 064 884)	(10 976 051)
Acquisition of investments	-	(15 534 933)
Proceeds on disposal of property, plant and equipment	(iv) 2 177 034	1 398 687
Interest received	2 106 561	2 448 270
<b>Net cash outflow from investing activities</b>	<b>(3 781 289)</b>	<b>(22 664 027)</b>
Net movement in cash and cash equivalents for the year	9 434 433	(21 529 034)
Cash and cash equivalents at beginning of year	(v) 21 427 616	42 956 650
<b>Cash and cash equivalents at end of year</b>	<b>(v) 30 862 049</b>	<b>21 427 616</b>

# NOTES TO THE STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 MARCH 2017

	2017 R	2016 R
<b>(i) Cash generated by operations</b>		
Profit/(loss) for the year	2 930 665	(17 329 200)
Adjustment for:		
Impairment of inventory	-	15 931 634
Finance costs	70 554	2 624
Depreciation	10 139 412	9 733 464
Post-retirement medical benefits	54 000	25 000
Interest bearing liabilities	1 008 464	-
Surplus on disposal of property, plant and equipment	(801 610)	(620 677)
Interest received	(7 153 959)	(6 531 923)
Fair value gain on investments	(250 045)	-
	5 997 481	1 210 922
<b>(ii) Working capital movements</b>		
Inventory	(4 741 403)	(498 564)
Trade and other receivables	(8 307 659)	(1 855 136)
Trade and other payables	8 618 982	(837 304)
Movement in FEC liability/(asset)	(1 766 048)	4 436 705
Movement in operating lease liability	(5 280)	265 350
Movement in provisions	8 442 805	(5 668 009)
	2 241 397	(4 156 958)
<b>(iii) Acquisition of property, plant and equipment</b>		
Land and buildings	-	513 907
Technical equipment	2 895 564	4 900 406
Computer equipment and software	1 722 605	593 510
Office furniture and equipment	591 068	892 108
Motor vehicles	2 855 647	4 076 120
	8 064 884	10 976 051
<b>(iv) Proceeds on disposal of property, plant and equipment</b>		
Book value of assets disposed of	1 375 424	778 010
Surplus on disposal	801 610	620 677
	2 177 034	1 398 687
<b>(v) Cash and cash equivalents comprise:</b>		
Cash at bank and on hand	30 862 049	21 427 616

# NOTES TO THE FINANCIAL STATEMENTS

## AT 31 MARCH 2017

### 1 ACCOUNTING POLICIES

#### 1.1 BASIS OF PREPARATION

The financial statements for the year ended 31 March 2017 are prepared in accordance with International Financial Reporting Standards ("IFRS").

The company's presentation currency is South African Rands.

#### 1.2 PROPERTY, PLANT AND EQUIPMENT

Technical equipment, motor vehicles, office furniture and equipment are stated at cost and are depreciated on a straight line basis at rates considered appropriate to write down each asset to its estimated residual value over the term of its expected useful life at the following rates:

Buildings	2% per annum
Technical equipment	2,56% - 33,33% per annum
Motor vehicles	
- Administration	16,67% - 25% with 20% residual value
- Service	16,67% with 10% residual value
Office furniture and equipment	3,33% - 33,33% per annum

Owner-occupied property is stated at revalued amount and is depreciated on the straight line basis at rates considered appropriate to write down each asset to its estimated residual value over the term of its expected useful life. Property is revalued externally to open market value every three years or more regularly if required so that the carrying value is not materially different from the fair value. Any surplus on valuation, in excess of net book value, is recognised as a revaluation gain in other comprehensive income. Deficits on revaluation are charged against OCI only to the extent that the deficit is less than the amount held in the revaluation reserve in respect of that same asset. Any accumulated depreciation on buildings is eliminated on revaluation. Any balance in the revaluation reserve is not released to the accumulated surplus as the underlying asset is depreciated. Instead, the balance in the revaluation reserve is transferred to accumulated funds on de-recognition of the underlying asset. Land is not depreciated.

Surpluses and losses on disposal of property, plant and equipment are recorded in the statement of comprehensive income.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to

their recoverable amount. The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use.

The estimated useful lives, residual values and depreciation methods are reviewed at each year end with the effect of any changes in estimate accounted for on a prospective basis.

#### 1.3 LEASES

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Service is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Service will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

##### Lessor

Leases in which the Service does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

#### 1.4 PROVISIONS

Provisions are recognised where the Service has a present legal or constructive obligation as a result of a past event, a reliable estimate of the obligation can be made and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.



## 1.5 INVENTORY

Inventory is valued at the lower of cost and net realisable value.

Cost is determined as follows:

- Blood packs, accessories, packaging materials, filtration stocks, chemicals, reagents, testing kits, raw materials and consumables on the weighted average cost basis.
- Blood stocks, fractionated plasma, in process products and finished goods on the weighted average cost basis.
- Obsolete or slow moving inventory is identified and provision made where appropriate.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

## 1.6 REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Service and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

### Sales of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Service has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Service retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- it is probable that the economic benefits associated with the transaction will flow to the Service; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### Finance income

Interest is recognised, in profit or loss, using the effective interest rate method.

### Project specific funding including Grant income

Project specific funding including Grant income is recognised when probable that receipt will occur at the fair value of what is received. These funds are received for specific purposes and require WPBTS to comply with specific conditions attached to the funding.

The only income that the Training Department potentially receives, is the return on the Skills levy.

As per legislation, the Service pays a 1% levy on the total monthly salary bill. In order to receive a partial refund, the Skills Development Facilitator has to develop a work place skills plan. If this plan is approved by the Health

& Welfare Seta, WPBTS potentially receives 20% of the annual levy back which is payable in quarterly payments.

## 1.7 RETIREMENT BENEFITS

### Defined contribution and benefit plans

The Service provides retirement benefits for its employees through a defined contribution plan.

Contributions by the Service to the defined contribution plan are recognised as an expense in the year in which the related services are rendered by employees.

### Post-retirement medical benefits

The cost arising in respect of post-retirement medical aid benefits is charged to profit or loss as incurred. The Service has an obligation to provide certain post-retirement medical aid benefits to certain employees and pensioners. The present value of future medical aid subsidies for past service is actuarially determined in accordance with IAS 19 - Employee benefits. The cost of provided benefits under the plan is determined using the projected unit credit valuation method. Actuarial gains and losses are recognised immediately and are taken directly to other comprehensive income in the year in which they arose. Any curtailment benefits or settlement amounts are recognised against income as incurred.

## 1.8 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

### Judgements

In the process of applying the Service accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

### Depreciation rates and useful life

Property, plant and equipment are depreciated on a straight line basis over the expected useful lives of the various classes of assets, after taking into account residual values.

### Estimation and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### Revaluation of property, plant and equipment

The Service engaged an independent valuation specialist to assess fair value as at 31 March 2016 for revalued land and buildings. It measures land and buildings at revalued amounts with changes in fair value being recognised in OCI. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 23.

### Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position

cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 24 for further disclosures.

#### **Impairment of financial assets**

An allowance for the impairment loss is made against trade receivable accounts that in the estimation of management may be impaired. The impairment is assessed monthly with a detailed review of balances conducted at the reporting date. Determining the recoverability of an account involves estimation as to the likely financial condition of the customer and their ability to make payment.

#### **Impairment of non-financial assets**

The carrying value of the company's assets is reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of the fair value less costs to sell and the value in use. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss.

## **1.9 FINANCIAL INSTRUMENTS**

### **Classification**

The Service classifies its financial instruments into the following categories:

- Financial assets or liabilities at fair value through profit or loss
- Loans and receivables/loans and borrowings

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition.

### **Financial assets**

#### **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss or loans and receivables. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

#### **Subsequent measurement**

#### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as fair value gain or fair value loss in the statement of profit or loss.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment.

#### **Impairment of financial assets**

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Impairment losses are recognised in the statement of profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in the statement of profit or loss.

#### **Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Service first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Service determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the company's

past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit year, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in the statement of profit or loss.

### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Service has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - a) the Service has transferred substantially all the risks and rewards of the asset, or
  - b) the Service has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Service has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Service continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Service also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Service has retained.

### **Financial liabilities**

#### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Service's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

#### **Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

#### ***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Service has not designated any financial liability as at fair value through profit or loss.

#### ***Loans and borrowings***

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

#### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

## **1.10 TRANSLATION OF FOREIGN CURRENCIES**

Transactions in foreign currencies are initially recorded by the Service at the spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

## **1.11 NON-CURRENT ASSETS HELD FOR SALE**

Non-current assets classified as held for sale are measured

at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

## 1.12 NEW STANDARDS AND INTERPRETATIONS

### 1.12.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

#### **IAS 1 Disclosure Initiative - Amendments to IAS 1** *Effective for annual periods beginning on or after 1 January 2016.*

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, the existing IAS 1 requirements.

##### **The amendments clarify:**

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

This amendment was considered however did not have an impact on the company's audited financial statements.

#### **IAS 16 and IAS 38 Clarification of Acceptable methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38** *Effective for annual periods beginning on or after 1 January 2016.*

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

This amendment was considered however did not have an impact on the company's audited financial statements.

All other amendments did not have a material impact on the entity's annual financial statements, the Service will adopt these standards and amendment in the first accounting period when they become effective.

### 1.12.2 Standards and Interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 1 April 2016 or later periods.

#### **IFRS 9 Financial Instruments**

*Effective for annual periods beginning on or after 1 January 2018.*

##### **Classification and measurement of financial assets**

All financial assets are measured at fair value on initial recognition, adjusted for transaction costs, if the instrument is not accounted for at fair value through profit or loss (FVTPL).

Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.

Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

##### **Impairment**

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model.

The standard is expected to have a material impact on the Service's financial statements, but the exact impact is still to be determined.

#### **IFRS 15 Revenue from Contracts with Customers** *Effective for annual periods beginning on or after 1 January 2018.*

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, equipment and intangible assets.



The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

**The principles in IFRS 15 will be applied using a five-step model:**

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

The standard is expected to have a material impact on the Service's financial statements, but the exact impact is still to be determined.

**IFRS 16 Leases**

*Effective for annual periods beginning on or after 1 January 2019.*

The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The standard is expected to have a material impact on the Service's financial statements, but the exact impact is still to be determined.

**IAS 7 Disclosure Initiative - Amendments to IAS 7**  
*Effective for annual periods beginning on or after 1 January 2017.*

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

All other amendments and new standards are not expected to have a material impact.

## 2 TURNOVER

	2017 R	2016 R
Revenue	377 915 041	346 977 568
Interest received		
- bank deposits	(2 106 561)	(1 913 337)
- amortisation of debtors	(5 047 398)	(4 083 653)
Turnover	370 761 082	340 980 578

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. It is attributable to the collection, processing and distribution of blood and certain of its derivatives related to the sale of blood.

The amortised cost of trade and other receivables is measured at fair value on initial recognition date plus the cumulative amortisation using the effective interest rate method. The effective interest rate discounts estimated future cash receipts through the expected life of the financial asset. The finance income effect of applying the effective interest rate method amounts to R5 047 398 (2016: R4 083 653).

## 3 SUNDRY INCOME

	2017 R	2016 R
Donation received on computer equipment	294 000	-
ETI Refund from SARS	115 119	-
Other income	1 391 944	982 894
	1 801 063	982 894

## 4 PROJECT SPECIFIC FUNDING INCLUDING GRANT INCOME

### Grant income

Grant income from the Health and Welfare SETA (HWSETA) is received for the purpose of skills development and training and is recognised as income when the costs that the funding is intended to cover are incurred. All grant income for the year has been received and no amounts were owing at year end.

2017  
R

2016  
R

## 5 PERSONNEL COSTS

Staff costs		
- salaries and wages	130 558 352	123 712 467
- contributions to defined contribution retirement fund	15 400 934	14 173 688
- contributions to medical aids	12 962 574	12 136 084
- bonuses	8 030 674	-
- staff canteen costs	770 869	713 244
- staff uniform and protective clothing	1 438 849	1 112 703
- other staff costs	772 858	1 028 530
<b>Directors' emoluments</b>		
- non-executive directors' fees	288 093	167 666
- salaries	3 844 650	3 199 305
- contributions to retirement fund	454 992	378 187
- medical aid contributions	73 510	67 375
- bonuses	278 101	-
	174 874 456	156 689 249
Included in personnel costs above is the post-retirement medical benefit expense (see note 22 for further information)		
Average number of employees	522	541

## 6 ADMINISTRATION EXPENSES

Administration expenses include:		
Auditor's remuneration	464 932	432 134
- audit fee provision	412 189	396 864
- under provision previous year	52 743	35 270
Other	2 477	4 074
Rent	2 244 047	2 330 667
- buildings	519 639	839 275
- equipment	1 724 408	1 491 392

## 7 COST OF SALES

Cost of inventories sold	150 768 640	155 566 262
--------------------------	-------------	-------------

Cost of sales includes the historical cost of inventory expensed during the year.

## 8 PROPERTY, PLANT AND EQUIPMENT

2017

	(At valuation) Land and buildings R	Technical equipment R	Computer equipment and software R	Office furniture and equipment R	Motor vehicles R	Total R
<b>Beginning of year</b>						
- Gross carrying value	56 181 737	60 445 312	6 708 986	5 602 093	23 156 897	152 095 025
- Accumulated depreciation	(373 552)	(32 708 797)	(2 863 719)	(2 374 351)	(9 776 989)	(48 097 408)
- Net book value	55 808 185	27 736 515	3 845 267	3 227 742	13 379 908	103 997 617
<b>Current year movements</b>						
- Additions	-	2 895 564	1 722 605	591 068	2 855 647	8 064 884
- Held for sale at net book value	(10 471 981)	-	-	-	-	(10 471 981)
- Disposals at net book value	(31 749)	(5 360 466)	(42 853)	(11 500)	(1 005 137)	(1 375 424)
- Depreciation	(31 749)	(5 360 466)	(1 044 395)	(627 393)	(3 075 409)	(10 139 412)
<b>Balance at end of year</b>	45 304 455	24 955 679	4 480 624	3 179 917	12 155 009	90 075 684
Made up as follows:						
- Gross carrying value	45 649 110	62 260 960	8 243 287	6 101 514	22 029 063	144 283 934
- Accumulated depreciation	(344 655)	(37 305 281)	(3 762 663)	(2 921 597)	(9 874 054)	(54 208 250)
- Net book value	45 304 455	24 955 679	4 480 624	3 179 917	12 155 009	90 075 684

The estimated remaining useful lives of assets were re-evaluated during the financial year. This was done to more accurately reflect the pattern of economic consumption of the assets being used by the organisation.

This change in accounting estimate resulted in a decrease in depreciation amounting to R1 261 655.

In the current year, the Service reclassified certain property, plant and equipment into 5 categories. In the previous period there were 4 categories.

The overall effect of the reclassification has not impacted the values of property, plant and equipment.

2016

	(At valuation) Land and buildings R	Technical equipment R	Computer equipment and software R	Office furniture and equipment R	Motor vehicles R	Total R
<b>Beginning of year</b>						
- Gross carrying value	52 717 830	56 286 456	6 450 864	4 844 864	22 087 569	142 387 583
- Accumulated depreciation	(341 803)	(27 978 845)	(2 271 672)	(2 015 939)	(9 196 284)	(41 804 543)
- Net book value	52 376 027	28 307 611	4 179 192	2 828 925	12 891 285	100 583 040
<b>Current year movements</b>						
- Additions	513 907	4 900 406	593 510	892 108	4 076 120	10 976 051
- Held for sale at net book value	-	-	-	-	-	-
- Revaluation	2 950 000	-	-	-	-	2 950 000
- Disposals at net book value	-	(96 183)	(54 732)	(14 342)	(612 753)	(778 010)
- Depreciation	(31 749)	(5 375 319)	(872 703)	(478 949)	(2 974 744)	(9 733 464)
<b>Balance at end of year</b>	55 808 185	27 736 515	3 845 267	3 227 742	13 379 908	103 997 617
Made up as follows:						
- Gross carrying value	56 181 737	60 445 312	6 708 986	5 602 093	23 156 897	152 095 025
- Accumulated depreciation	(373 552)	(32 708 797)	(2 863 719)	(2 374 351)	(9 776 989)	(48 097 408)
- Net book value	55 808 185	27 736 515	3 845 267	3 227 742	13 379 908	103 997 617

Land and buildings consist of:

**(i) Beaconvale**

A factory situated at Connaught Road, Beaconvale, Parow, erected on freehold erven 12364 and 12367 (in extent 2578 square metres) in the Municipality of Parow, acquired on May 29 1986, under Deed of Transfer No T20026/86.

**(ii) Pinelands**

An office block situated in Old Mill Road, Pinelands, erected on remainder of freehold erf 24179, Cape Town at Maitland (in extent 1,3093 hectares) in the Municipality of Pinelands, acquired on July 14 1988, under Deed of Transfer No T39826/88.

**(iii) Paarl**

An office building situated at 263 Main Road, Paarl, erected on remainder of freehold erf 15375 (in extent 1193 square metres) in the Municipality of Paarl, acquired on August 12 1992, under Deed of Transfer No T50274/92.

**(iv) George**

An office building situated at Courtenay Street, George, Sections 4,9,10 and 11 of Sectional Plan No 55217/93 of Medical Centre (in extent 354 square metres) in the Municipality of George, acquired on June 28 1993, under Deed of Transfer No T10014/93.

**(v) Worcester**

An office building situated at 26 Napier Street, Worcester, erected on freehold Erf 4326, Worcester (in extent 1736 square metres) in the Municipality and Division of Worcester, acquired on June 10 1994, under Deed of Transfer No T38986/94.

The cost of the properties comprises:

	Acquired in	Acquisition cost	Improvements since acquisition	2017	2016
Beaconvale	May 1986	500 000	977 179	1 477 179	1 477 179
Pinelands	July 1988	2 811 236	5 503 660	8 314 896	8 314 896
Paarl	August 1992	372 633	348 935	721 568	721 568
George	June 1993	160 200	234 979	395 179	395 179
Worcester	June 1994	505 697	1 140 245	1 645 942	1 645 942
Total cost		4 349 766	8 204 998	12 554 764	12 554 764
Revaluation surplus				43 626 973	43 626 973
Assets Held-for-Sale				(10 532 627)	-
Total valuation at cost				45 649 110	56 181 737

The properties were independently valued on an open market basis, as at 31 March 2016 by RA Gibbons, AEI (Zim), FIV (SA), Professional Valuers. Refer to Note 26 for the detail of the fair value information on the revalued land and buildings.

Had Land & Buildings been carried at cost model (excluding depreciation) the value would be R11 077 585. (2016: 12 554 764)



## 9 INVESTMENTS

	2017 R	2016 R
Liberty GateWay Investment	6 784 978	6 534 933
Liberty Investment	9 000 000	9 000 000
	15 784 978	15 534 933

### Reconciliation of Investments

Liberty GateWay Investment	2017 R	2016 R
Opening balance at 1 April 2016	6 534 933	-
Additions	-	6 000 000
Fair value movement for the year	250 045	534 933
Closing balance as at 31 March 2017	6 784 978	6 534 933

Liberty Investment	2017 R	2016 R
Opening balance at 1 April 2016	9 000 000	-
Additions	-	9 000 000
Fair value movement for the year	-	-
Closing balance as at 31 March 2017	9 000 000	9 000 000

The current fair value of the Liberty Investment is R 8 562 861, but as per the investment contract terms and conditions, at a minimum the full capital invested at commencement date, R 9 000 000, is guaranteed.

## 10 ASSETS HELD-FOR-SALE

	2017 R	2016 R
Cost	10 532 627	-
Accumulated depreciation	(60 646)	-
	10 471 981	-

Included in the cost of the Asset Held-For-Sale is revaluation reserve of R 9 081 800.

During December 2016, with the approval of the Board, the property situated at Connaught Road, Beaconsvale, Parow, was placed on the open market for sale. Subsequent to financial year-end of 31 March 2017 and prior to the approval of the financial statements the directors received a binding offer on 16 May 2017 for the sale of the Fractionation Plant amounting to R7 million, which includes the land, building and related assets. The board carefully considered the impact of this offer on the valuation of the property at year end. This is a non-adjusting post balance sheet event as at balance sheet date the directors believed that the Property Plant and Equipment was appropriately valued. The rationale for accepting this offer on 29 May 2017 was based mainly on the fact that the prospective purchaser has committed to renting a portion of the premises at a favourable rate per square metre for the following 36 months. Although the sale results in a loss to the Service, the directors deemed this a reasonable offer considering the given soft rental offer from the prospective purchaser.

## 11 INVENTORY

	2017 R	2016 R
Raw materials	15 232 286	12 281 358
Work in progress	998 406	989 445
Finished goods	6 297 551	8 659 183
Consumables	15 547 879	11 404 733
	38 076 122	33 334 719

During 2017, an amount of R464 214 (2016: R15 931 634) was recognised as an expense for inventories written down to net realisable value. The prior year write down was due to the closure of the Fractionation Plant. These write-down costs were recognised in cost of sales. The year-end carrying value of inventory written down to net realizable value is R nil (2016: R1 354 107).

## 12 TRADE AND OTHER RECEIVABLES

	2017 R	2016 R
Gross trade receivables	53 533 355	43 637 808
Impairment of trade debtors	(7 587 012)	(7 123 593)
Net trade receivables	45 946 343	36 514 215
Other receivables*	1 313 836	1 872 247
Deposits paid to suppliers	680 340	1 246 398
	47 940 519	39 632 860

	2017 R	2016 R
<b>Movements in the provision for impairment of debtors:</b>		
Opening balance	7 123 593	6 764 402
Charge for the year	1 751 864	1 153 075
Amounts written off	(1 288 445)	(793 884)
Closing balance	7 587 012	7 123 593

On 31 March 2017, the analysis of trade receivables net of impairment is as follows:

	Current R	30 days R	60 days R	90 days R	120 days R	150 plus days R	Total R
2017	29 192 532	6 168 429	2 282 936	1 190 193	885 162	6 227 091	45 946 343
2016	25 971 274	3 249 188	1 320 214	1 032 232	402 987	4 538 320	36 514 215

Accounts receivable are interest-free and have payment terms ranging from 30 to 60 days.

\*Other receivables include prepayments, sundry debtors and staff loans.

## 13 CASH AND CASH EQUIVALENTS

	2017 R	2016 R
Cash at bank and on hand	30 862 049	21 427 616

Standard Bank Limited has issued guarantees to the value of R40 000 (2016: R40 000) in favour of the Service to South African Airways (Pty) Ltd as evidence of the Service's ability to cover its debt. The service has, in turn, pledged cash to the value of R40 000 (2016: R40 000) in favour of Standard Bank Limited as security for the guarantee.

## 14 REVALUATION RESERVE

	2017 R	2016 R
Revaluation at the beginning of the year	43 626 973	40 676 973
Net gain/(loss) on revalued property through OCI	-	2 950 000
Asset Held-for-Sales Transfer	(9 081 800)	-
Revaluation at the end of the year	34 542 173	43 626 973

## 15 NON-DISTRIBUTABLE RESERVES

	2017 R	2016 R
<b>(a) Professional development fund surplus</b>	<b>1 274 062</b>	<b>1 216 587</b>
Balance at beginning of period	1 216 587	1 288 534
Transfer to retained earnings	57 475	(71 947)
Balance at end of period	1 274 062	1 216 587
The Professional Development Fund was established with surplus funds from hosting the International Society of Blood Transfusion Congress in 2006. The essential purpose of the fund is to support staff in further education and training.		
<b>(b) Training development fund</b>	<b>1 008 200</b>	<b>1 008 200</b>
The Training Development fund was established with employer surplus funds received from the Western Province Blood Transfusion Service Retirement Fund in 2012. The surplus is to be utilised for training and leadership development of staff.		
Total non-distributable reserves	2 282 262	2 224 787

## 16 PRODUCT LIABILITY RESERVE

The Product Liability Reserve has been established as a non-distributable reserve to cover potential uninsurable product liability claims.

	2017 R	2016 R
Opening balance	6 144 890	6 101 005
Transfer from retained earnings	795 381	43 885
Balance at end of year	6 940 271	6 144 890

## 17 TRADE AND OTHER PAYABLES

	2017 R	2016 R
Trade payables	30 361 827	23 028 776
Other payables*	7 455 378	6 169 447
	37 817 205	29 198 223
Trade and other payables are non-interest bearing and are normally settled on 30 day terms.		
*Other payables include VAT payable, sundry creditors, accruals and salary creditors.		
<b>Other payables</b>		
VAT payable	2 397 747	2 071 351
Salary creditors	2 239 706	2 125 879
Sundry payables	2 817 925	1 972 217
	7 455 378	6 169 447

## 18 PROVISIONS

	2017 R	2016 R
<b>Leave pay provision</b>		
At 1 April 2016	13 518 782	12 487 145
Arising during the year	13 828 413	13 306 148
Utilised	(13 675 393)	(12 274 511)
At 31 March 2017	13 671 802	13 518 782
<b>Salary related accruals</b>		
At 1 April 2016	3 300 644	10 000 290
Arising during the year	11 590 429	3 300 644
Utilised	(3 300 644)	(10 000 290)
At 31 March 2017	11 590 429	3 300 644
<b>TOTAL</b>	<b>25 262 231</b>	<b>16 819 426</b>

Salary related accruals relate to prorata provision of guaranteed pay, performance bonus and accrual of overtime.

## 19 FINANCE COSTS

	2017 R	2016 R
Interest expense	70 554	2 624

## 20 TAXATION

No provision has been made for taxation as the income of the Service is exempt in terms of Section 10 (cN) of the Income Tax Act, 1962.



## 21 COMMITMENTS

	2017 R	2016 R
<b>21.1 CAPITAL COMMITMENTS</b>		
<b>Commitments in respect of capital expenditure</b>		
- contracted for	7 420 514	116 829
- not contracted for	16 639 226	12 610 288
	24 059 740	12 727 117

The expenditure will be financed from cash generated from normal business operations and covers the replacement and maintenance of technical equipment, motor vehicles, office equipment and furniture and computer equipment and software.

	Not later than one year R	Later than one year and not later than five years R
<b>21.2 COMMITMENTS IN RESPECT OF OPERATING LEASES</b>		
<b>2017</b>		
Operating leases	3 860 631	6 199 631
<b>2016</b>		
Operating leases	3 899 101	8 133 037

The service has entered into operating leases on certain buildings and machinery, with lease terms between three and five years and inflation based escalation.

## 22 RETIREMENT BENEFIT INFORMATION

### Defined contribution plan

The Service continues to contribute to the Western Province Blood Transfusion Service Retirement Fund which is a defined contribution plan.

The fund is registered under and governed by the Pension Funds Act, 1956 as amended.

All of the Service's permanent employees belong to the fund.

At 31 December 2016, 506 employees (2015: 523 employees) belonged to the defined contribution plan.

### Post-retirement medical benefits

The Service offers medical aid schemes for the benefit of permanent employees. Members of the defined benefit retirement plan and certain pensioners are entitled to post-retirement medical benefits consisting of a subsidy of a portion of the medical aid contributions. At the year-end there was 1 employee and 3 pensioners who were entitled to this benefit.

Full actuarial valuations are performed on an annual basis.

The last actuarial valuation was performed as at 31 March 2017, using the projected unit credit valuation method.

Principal actuarial assumptions at the reporting date:

Discount rate	9,80%
Health care cost inflation	9,00%
Average retirement age	55

The provision for post-retirement health care benefits determined in terms of IAS19 is as follows:

	2017 R	2016 R
Funding liability	2 069 000	2 015 000
Reconciliation:		
Balance at the beginning of the year	2 015 000	1 926 000
- interest cost	190 000	149 000
- benefit payments	(136 000)	(124 000)
- actuarial loss/(gain)	-	64 000
Balance at the end of the year	2 069 000	2 015 000

Post-retirement health care benefits expense included in profit or loss is as follows:

	2017 R	2016 R
- interest cost	190 000	149 000
Total expenses/(gain) included in personnel costs	190 000	149 000

A quantitative sensitivity analysis for significant assumptions as at 31 March 2016 is as follows:

	Central assumption 9.0%	-1%	+1%
<b>HEALTH CARE COST INFLATION:</b>			
Accrued liability 31 March 2017	2 069 000	1 897 000	2 266 000
% Change		(8.3%)	9.5%
Current service cost and interest cost 2017/2018	195 000	178 000	214 000
% Change		(8.7%)	9.7%

	Central assumption 7.8%	-1%	+1%
<b>SENSITIVITY RESULTS AS AT 31 MARCH 2016 WERE:</b>			
Accrued liability 31 March 2016	2 015 000	1 837 000	2 222 000
% Change		(8.8%)	10.2%

	Central assumption 9.0%	+5% for 5 years	+10% for 5 years
<b>HEALTH CARE COST INFLATION:</b>			
Accrued liability 31 March 2017	2 069 000	2 426 000	2 625 000
% Change		17.3%	26.9%

	Central assumption 9.8%	+1%	-1%
<b>DISCOUNT RATE:</b>			
Accrued liability 31 March 2017	2 069 000	2 286 000	1 886 000
% Change		10.5%	(8.8%)

	Central assumption 55 years	1 year younger	1 year older
<b>EXPECTED RETIREMENT AGE:</b>			
Accrued liability 31 March 2017	2 069 000	2 069 000	2 069 000
% Change		0%	0%

	Central assumption 9.5%	+5% for 5 years	+10% for 5 years
<b>HEALTH CARE COST INFLATION:</b>			
Accrued liability 31 March 2016	2 015 000	2 387 000	2 591 000
% Change		18.5%	28.6%

	Central assumption 9.8%	+1%	-1%
<b>DISCOUNT RATE:</b>			
Accrued liability 31 March 2016	2 015 000	2 240 000	1 826 000
% Change		11.1%	(9.4%)

	Central assumption 55 years	1 year younger	1 year older
<b>EXPECTED RETIREMENT AGE:</b>			
Accrued liability 31 March 2016	2 015 000	2 015 000	2 015 000
% Change		0.0%	0.0%

## 23 INTEREST BEARING LIABILITIES

	2017 R	2016 R
Finance lease liabilities	1 008 464	-
Less: portion payable within one year	(243 330)	-
Balance at end of year	765 134	-

The obligation was secured over computer equipment, bears an average interest of 13.43% and is repayable in quarterly instalments of R90 045.

## 24 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, and derivative financial instruments.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Service's exposure to the risk of changes in foreign exchange rates relates primarily to the Service's operating activities (when revenue or expense is denominated in a foreign currency).

### Equity price risk

The Service's equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. Reports on the equity portfolio are submitted to the Service's management on a regular basis. The Service's Board of Directors reviews and approves all equity investment decisions.

**Liquidity risk**

This is the risk of not meeting contractual liabilities as they fall due. Management monitors current cash position and future cash flow requirements on a routine basis.

**Credit risk**

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Service is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

**24.1 Financial instruments**

The Service's financial instruments can be summarised as follows:

2017	Financial assets at fair value through profit and loss R	Loans and receivables R	Non-financial assets R	Total R
<b>FINANCIAL ASSETS</b>				
Trade and other receivables	-	46 048 034	1 892 485	47 940 519
Cash and cash equivalents	-	30 862 049	-	30 862 049
Investments	15 784 978	-	-	15 784 978

2017	Financial liabilities measured at amortised cost R	Financial liabilities at fair value through profit and loss R	Non-financial liabilities R	Finance lease liabilities R	Total R
<b>FINANCIAL LIABILITIES</b>					
Trade and other payables	35 149 459	-	2 397 746	-	37 817 205
FEC liability	-	2 535 330	-	-	2 535 330
Operating lease liability	-	-	260 070	-	260 070
Interest bearing liabilities	-	-	-	1 008 164	1 008 164

2016	Financial assets at fair value through profit and loss R	Loans and receivables R	Non-financial assets R	Total R
<b>FINANCIAL ASSETS</b>				
Trade and other receivables	-	36 715 147	2 917 713	39 632 860
Cash and cash equivalents	-	21 427 616	-	21 427 616
Investments	15 534 933	-	-	15 534 933

2016	Financial liabilities measured at amortised cost R	Financial liabilities at fair value through profit and loss R	Non-financial liabilities R	Finance lease liabilities R	Total R
<b>FINANCIAL LIABILITIES</b>					
Trade and other payables	27 126 782	-	2 071 351	-	29 128 223
FEC liability	-	4 301 378	-	-	4 301 378
Operating lease liability	-	-	265 350	-	265 350
Interest bearing liabilities	-	-	-	-	-



**24.2 Credit risk management**

CATEGORY	RISK			
	Low R	Medium R	High R	Total R
<b>2017</b>				
Hospitals	17 353 538	-	-	17 353 538
Medical aids	24 217 990	-	-	24 217 990
Private patients	-	-	2 847 861	2 847 861
Workman's compensation claims	-	1 522 335	-	1 522 335
Road accident fund	-	612	-	612
Estates	-	4 007	-	4 007
Other receivables	101 691	-	-	101 691
<b>Total</b>	<b>41 673 219</b>	<b>1 526 954</b>	<b>2 847 861</b>	<b>46 048 034</b>
<b>2016</b>				
Hospitals	11 903 925	-	-	11 903 925
Medical aids	20 932 430	-	-	20 932 430
Private patients	-	-	2 118 373	2 118 373
Workman's compensation claims	-	1 524 359	-	1 524 359
Road accident fund	-	-	-	-
Estates	-	35 128	-	35 128
Other receivables	200 932	-	-	200 932
<b>Total</b>	<b>33 037 287</b>	<b>1 559 487</b>	<b>2 118 373</b>	<b>36 715 147</b>

The maximum exposure to credit risk approximates the carrying value.

**24.3 Interest rate risk**

The Service's exposure to interest rate risk can be quantified as follows:

	2017 R	2016 R
<b>CASH AND BANK BALANCE EXPOSED TO INTEREST RATE RISK</b>		
<b>Income statement effect of interest rate risk to above balance:</b>		
1% increase in interest rates	308 620	214 276
1% decrease in interest rates	(308 620)	(214 276)

**24.4 Liquidity risk**

2017	Year 1 R	Years 2 - 5 R	Over 5 years R	Total R
<b>FINANCIAL ASSETS</b>				
Trade and other receivables	46 048 034	-	-	46 048 034
Cash and cash equivalents	30 862 04	-	-	30 862 049
Investments	15 784 978	-	-	15 784 978
<b>FINANCIAL LIABILITIES</b>				
Trade and other payables	35 419 458	-	-	35 419 458
FEC liability	2 535 330	-	-	2 535 330
Operating lease liability	260 070	-	-	260 070
Interest bearing liabilities	360 180	925 951	-	1 286 132

2016	Year 1 R	Years 2 - 5 R	Over 5 years R	Total R
<b>FINANCIAL ASSETS</b>				
Trade and other receivables	36 715 147	-	-	36 715 147
Cash and cash equivalents	21 427 616	-	-	21 427 616
Investments	15 534 933	-	-	15 534 933
<b>FINANCIAL LIABILITIES</b>				
Trade and other payables	27 126 872	-	-	27 126 872
FEC liability	4 301 378	-	-	4 301 378
Operating lease liability	265 350	-	-	265 350
Interest bearing liabilities	-	-	-	-

**24.5 Foreign currency risk**

	2017	2016
Fair value of FEC (liability) at year end	(2 535 530)	(4 301 378)
<b>Current liabilities</b>		
2017: USD 1 217 278	16 443 964	
2016: USD 831 173		12 326 712
<b>Exchange rates at 31 March used for conversion of foreign items were:</b>		
USD	13.5088	14.8305

The spot rate on 31 March was used to revalue foreign currency balances at year end.

At 31 March 2017, if the currency had weakened/strengthened by 10% against the US dollar with all other variables held constant, pre-tax profit for the year would have been R1 644 936 higher/lower (2016: R1 232 671) mainly as a result of foreign exchange gains or losses on translation of US dollar denominated financial liabilities at fair value measured to amortised cost.

**24.6 Price risk**

The Service is exposed to price risk through their investment holdings.

**Sensitivity analysis**

The Service's exposure to price risk can be quantified as follows:

**Increase in investment of 10%**

R1 578 498

**Decrease in investment of 10%**

(R678 498)

The sensitivity of the investment in relation to the decrease as a result of the price risk are related only to the Liberty GateWay Investment of R6 784 978 as there is no downside risk to the Liberty Investment of R9 000 000.

## 25 DIRECTORS' REMUNERATION

2017

### Executive Directors

	Salaries R	Contributions to Retirement Fund R	Medical Aid R	Bonuses R	Total R
Dr G Bellairs	2 020 499	240 645	46 116	145 328	2 452 588
Ms N du Toit	1 824 151	214 347	27 394	132 773	2 198 665
Total	3 844 650	454 992	73 510	278 101	4 651 253

### Non-Executive Directors' fees

	Fees R	Total R
Dr A Bird	23 050	23 050
Mr M Burton	36 235	36 235
Prof B Figaji	36 288	36 288
Mr N Parker	24 007	24 007
Mr D Ndebele	26 346	26 346
Mr R Ramsbottom	29 590	29 590
Mr P Slack	38 056	38 056
Prof V Louw	15 288	15 288
Mr P Veldhuizen	29 590	29 590
Dr A Huggett	29 643	29 643
Total	288 093	288 093

Directors fee paid to non-executive directors are the only related party transactions.

Non-executive directors receive fees for attendance of meetings and a monthly retainer.

2016

### Executive Directors

	Salaries R	Contributions to Retirement Fund R	Medical Aid R	Bonuses R	Total R
Dr G Bellairs	1 727 471	208 958	43 095	-	1 979 524
Ms N du Toit	1 471 834	169 229	24 280	-	1 665 343
Total	3 199 305	378 187	67 375	-	3 644 867

### Non-Executive Directors' fees

	Fees R	Total R
Dr A Bird	15 434	15 434
Adv G R Bosman	6 502	6 502
Mr M Burton	16 497	16 497
Prof B Figaji	19 618	19 618
Mr N Parker	13 238	13 238
Mr D Ndebele	17 491	17 491
Mr R Ramsbottom	17 561	17 561
Mr P Slack	24 839	24 839
Prof V Louw	6 804	6 804
Mr P Veldhuizen	11 058	11 058
Dr A Huggett	18 624	18 624
Total	167 666	167 666

Directors fee paid to non-executive directors are the only related party transactions.

Non-executive directors receive fees for attendance of meetings and a monthly retainer.

## 26 FAIR VALUE INFORMATION

### Fair value hierarchy

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the company can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

### Property, plant and equipment

Recurring fair value measurements - Level 3	Note	2017 R	2016 R
<b>ASSETS</b>			
Beaconvale - erven 12364 and 12367	8/10	10 471 981	10 476 669
Pinelands - erven 24179	8	35 629 231	35 647 689
Paarl - erven 15375	8	3 661 890	3 665 338
George - Sections 4, 9, 10 and 11 of Sectional Plan No 55217/93	8	2 653 614	2 655 312
Worcester - Erf 4326	8	3 359 720	3 363 177
		55 776 436	55 808 185

### Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

2017	Opening balance at fair value R	Additions R	Revaluation R	Disposals R	Depreciation R	Closing balance at fair value R
Beaconvale	10 476 669	-	-	-	(4 688)	10 471 981
Pinelands	35 647 689	-	-	-	(18 458)	35 629 231
Paarl	3 665 338	-	-	-	(3 448)	3 661 890
George	2 655 312	-	-	-	(1 698)	2 653 614
Worcester	3 363 177	-	-	-	(3 457)	3 359 720
	55 808 195	-	-	-	(31 749)	55 776 436
Assets Held-for-Sale	(10 476 669)	-	-	-	4 688	(10 471 981)
	45 331 526	-	-	-	(27 061)	45 304 455

### Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

2016	Opening balance at fair value R	Additions R	Revaluation R	Disposals R	Depreciation R	Closing balance at fair value R
Beaconvale	11 206 357	-	(725 000)	-	(4 688)	10 476 669
Pinelands	31 522 240	513 907	3 630 000	-	(18 458)	35 647 689
Paarl	3 293 786	-	375 000	-	(3 448)	3 665 338
George	2 507 010	-	150 000	-	(1 698)	2 655 312
Worcester	3 846 634	-	(480 000)	-	(3 457)	3 363 177
	52 376 027	513 907	2 950 000	-	(31 749)	55 808 185

### Information about valuation techniques and inputs used to derive level 3 fair values

#### Owner - Occupied Property - Owner occupied property held at revalued amount

Owner Occupied Property - commercial property for leasing is determined by applying a comparable sales method, using price per square metre for buildings, gross rentals in the market and applying a capitalisation rate.



<b>Beaconvale Actual Inputs</b>	
Price per square metre - Rands	R36.50
<b>Pinelands Actual Inputs</b>	
Price per square metre - Rands	R70.00
<b>Paarl Actual Inputs</b>	
Price per square metre - Rands	R60.00
<b>George Actual Inputs</b>	
Price per square metre - Rands	R80.00
<b>Worcester Actual Inputs</b>	
Price per square metre - Rands	R42.50

The higher the price per square metre, the higher the fair value.

The carrying amount of all other financial assets and liabilities not disclosed above approximate fair value.

### Investments

Fair value measurements of Level 1 investments are based on quoted prices and Fair Value Measurement of Level 2 Investments are based on quoted Prices adjusted for guaranteed amounts.

	<b>Note</b>	<b>Level</b>	<b>Valuation date</b>	<b>2017 R</b>	<b>2016 R</b>
Liberty GateWay Investment	9	Level 1	31 March 2017	6 784 978	6 534 933
Liberty Investment	9	Level 2	31 March 2017	9 000 000	9 000 000
				15 784 978	15 534 933

The carrying value of all other financial assets and liabilities not disclosed in the fair value note approximates fair value.

# ABBREVIATIONS AND ACRONYMS

AABB	American Association of Blood Banks
AfSBT	African Society for Blood Transfusion
AGM	Annual General Meeting
AVE	Advertising Value Equivalent
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPD	Continuing Professional Development
CPI	Consumer Price Index
EY	Ernst and Young
GDBS	Global database on blood safety
HPCSA	Health Professions Council of South Africa
ISBT	International Society of Blood Transfusion
KPI	Key Performance Indicator
MCC	Medicines Control Council
NHA	National Health Act
NPO	Non-profit organisation
OHSA	Occupational Health and Safety Act
PBO	Public benefit organisation
POPIA	Protection of Personal Information Act
PSA	Public Servants Association of South Africa
SABMR	South African Bone Marrow Registry
SANAS	South African National Accreditation System
SANBS	South African National Blood Service
SANBTC	South African National Blood Transfusion Congress
SASBT	South African Society for Blood Transfusion
SLA	Service Level Agreement
SRA	Strategic risk assessment
TACO	Transfusion associated circulatory overload
TRALI	Transfusion related acute lung injury
WHO	World Health Organisation
WPBTS	Western Province Blood Transfusion Service